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VeriFone Systems, Inc. (PAY-US)

IT Services

- **We reiterate our buy rating on PAY and believe long-term investors will be well rewarded as its reallocation of capital and success of its new Carbon, Engage and mobile products drive greater returns on capital over time.**
- **Divestitures will enable Pay to reallocate the capital from low growth low-margin to high-growth high-margin business lines.**
- **PAY's ecosystem of applications enabling merchants to better run and grow their businesses will be its key engine of growth.**
- **Quick Service Restaurants (QSR) continue to adopt electronic payment systems to increase profitability and efficiency, creating a significant opportunity for PAY.**

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Company Note
VeriFone Systems, Inc. (PAY-US)
 IT Services

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Research Action:

Reiterate rating

Rating: Buy

Prior Rating: Buy

Price: 06/22/2017 \$17.44

52 Week High / Low: \$20.98 / \$14.94

Key Data: (TTM as of Apr-17)

Excess Cash per Share: \$0.49

Annual Dividend: \$0.00

Dividend Yield: 0.00%

Ave. Volume (30 Day): 1.9M

Shares Outstanding: 111.8M

Float: 111.1M

Equity MV: \$2,041.0M

Sales TTM: \$1,879.9M

Beta: 1.45

EBITDAR: \$474.0M

NOPAT: \$33.5M

Total Invested Capital: \$1,843.6M

Return on Capital: 1.70%

Cost of Capital: 7.22%

Economic Profit: -\$108.6M

Market Value Added: \$1,207.4M

Current Operations Value: \$340.2M

Future Growth Value: \$2,710.8M

- **We reiterate our buy rating on PAY and believe long-term investors will be well rewarded as its reallocation of capital and success of its new Carbon, Engage, and mobile products drive greater returns on capital over time.** Pay will divest its China, Petro Media and Taxi businesses and reallocate capital and focus on its higher-margin, faster growing POS business and services platform. The divestiture proceeds along with cash flow will go to reducing debt and funding growth initiatives. This over time will drive an increasing return on capital which will lead to growth and economic profit and greater shareholder value creation.
- **Divestitures will enable Pay to reallocate the capital from low growth low-margin to high-growth high-margin business lines.** Pay announced plans for the divestiture of its China business along with Petro Media and taxi services which were all high CapX, low-margin businesses. While this will have a negative impact on FY 2017 results, we believe longer-term this will be extremely positive and drive greater cash flow in FY 2018. The China divestiture makes sense as it has not been the engine of growth as originally thought. Management highlighted the challenges of operating in China as a US public company and believes a standalone, China-based company will perform better. PAY will retain a minority interest in the China entity after the divestiture.
- **PAY's ecosystem of applications enabling merchants to run better and grow their businesses will be its key engine of growth.** Carbon leverages PAY's ecosystem of vertical applications. We believe this will drive greater value along with new customer wins, higher margins and additional revenue. The increasing adoption of iPOS solutions will continue to drive banks and acquirers globally to adopt PAY's Carbon platform. PAY's Carbon pilot program with Vantiv (VNTV-US, Non-rated) is progressing well in North America which should lead to increasing adoptions by other payment processors. PAY's mobile devices are being used in greater numbers by its Tier 1 clients as an addition to fixed terminals to enable salespeople to process payments anywhere in the store, ultimately improve customer checkout speeds and buying experiences. PAY's strong brand equity and large entrenched user base make greater probability that as merchants add mobile devices, they will choose the Verifone product. PAY also announced a new mid-range mPOS solution based on the Carbon platform that best position is it to compete in the SMB and emerging markets space.

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VeriFone Systems, Inc. (PAY-US)**IT Services**

Since the TAM for mobile payment devices is growing faster than traditional payment terminals, PAY is focusing on further developing its mobile payment product portfolio to address this growing demand.

- **Quick Service Restaurants (QSR) continue to adopt electronic payment systems to increase profitability and efficiency, creating a significant opportunity for PAY.** QSRs are using PAY's payment-as-a-service-platform in greater numbers and is now being extended to new verticals such as the lottery. PAY recently formed a new strategic partnership with one of the largest suppliers of lottery systems in the US. PAY is aggressively expanding its omni-channel service offering in the EMEA (Europe, Middle East, and Africa) market where it has won several first-time mandates with large Southern European clients.

Investment Thesis

PAY is the leading provider of the most technologically advanced electronic point-of-sale (POS) terminals and service platforms. Demand for more technologically advanced POS terminals is being driven by the secular shift to electronic payments, which offer customers greater convenience, security, purchase protections and reward programs, as well as offering merchants increased purchasing and customer intelligence at the point-of-sale. New payment solutions address omni-channel, as well as the ability to use mobile devices with near field communication (NFC) capabilities and use multiple payment forms including e-wallets and pay with points. PAY's competitive advantage is its strong brand equity and ubiquitous presence. PAY processes over 40% of all electronic transactions globally which will continue to drive increasing market share and revenue growth through the sale of additional value-added services.

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Company Report – Research Update

VeriFone Systems, Inc. (PAY-US)

IT Services

Financial Data

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	04/30/2012	04/30/2013	04/30/2014	04/30/2015	04/30/2016	04/30/2017	04/30/2018	Average	Average	Average	Trend
Net Sales Revenue	\$1,619.2	\$1,829.5	\$1,749.7	\$1,942.8	\$2,063.9	\$1,879.9	\$1,914.1	\$1,893.1	\$1,962.2	\$1,897.0	
Sales Growth	45.40%	12.99%	-4.36%	11.04%	6.23%	-8.91%	1.82%	3.40%	2.79%	-3.55%	
Sales Growth Trend	37.11%	25.95%	2.58%	4.88%	8.15%	-2.85%	-2.48%	7.74%	3.39%	-2.66%	
Operating Cash Flow (EBITDAR)	\$382.0	\$566.4	\$442.0	\$541.6	\$562.1	\$474.0	\$512.5	\$517.2	\$525.9	\$493.3	
EBITDAR Margin	23.59%	30.96%	25.26%	27.88%	27.23%	25.21%	26.78%	27.31%	26.78%	25.99%	
EBITDAR Growth	39.38%	48.28%	-21.96%	22.53%	3.79%	-15.67%	8.12%	7.39%	3.55%	-3.78%	
Net Operating Profit Before Tax (NOPBT)	\$118.1	\$157.4	(\$22.8)	\$82.8	\$123.7	\$33.5	\$76.8	\$74.9	\$80.0	\$55.1	
NOPBT Margin	7.29%	8.60%	-1.30%	4.26%	5.99%	1.78%	4.01%	3.87%	4.01%	2.90%	
NOPBT Growth	-13.19%	33.27%	-114.51%	462.74%	49.34%	-72.92%	129.27%	71.58%	146.39%	28.18%	
Cash Operating Income Tax	\$0.0	\$0.0	\$0.0	\$13.8	\$0.0	\$0.0	\$4.3	\$2.8	\$4.6	\$2.1	
Economic Tax Effective Rate	0.00%	0.00%	0.00%	16.65%	0.00%	0.00%	5.55%	3.33%	5.55%	2.78%	
Net Operating Profit After Tax (NOPAT)	\$324.5	\$160.0	(\$22.8)	\$69.0	\$128.8	\$33.5	\$72.5	\$73.7	\$77.1	\$53.0	
NOPAT Margin	20.04%	8.74%	-1.30%	3.55%	6.24%	1.78%	3.79%	3.80%	3.86%	2.79%	
NOPAT Growth	108.59%	-50.71%	-114.27%	402.34%	86.65%	-74.00%	116.55%	50.00%	138.33%	21.27%	
Cash & Equivalents	\$661.5	\$524.7	\$229.8	\$242.3	\$156.6	\$134.5	\$131.2	\$257.6	\$177.8	\$132.8	
Total Assets	\$3,745.7	\$3,467.4	\$2,861.1	\$2,512.9	\$2,708.4	\$2,404.1	\$2,344.6	\$2,790.8	\$2,541.8	\$2,374.3	
Non - Interest Bearing Liabilities (NIBLs)	\$796.1	\$811.0	\$714.7	\$651.7	\$761.5	\$749.3	\$730.8	\$737.6	\$720.8	\$740.0	
Net Assets	\$2,910.7	\$2,619.2	\$2,110.5	\$1,826.8	\$1,913.2	\$1,628.1	\$1,587.8	\$2,019.5	\$1,789.3	\$1,607.9	
Economic Asset Adjustments	\$52.3	\$81.5	\$250.5	\$250.9	\$238.8	\$530.5	\$517.4	\$270.4	\$340.8	\$523.9	
Net Operating Assets	\$2,963.0	\$2,700.6	\$2,361.0	\$2,077.6	\$2,151.9	\$2,158.6	\$2,105.2	\$2,290.0	\$2,129.4	\$2,131.9	
Debt & Debt Equivalents	\$1,674.7	\$1,438.6	\$1,083.7	\$972.2	\$1,100.1	\$1,010.2	\$985.2	\$1,121.0	\$1,027.5	\$997.7	
Equity & Equivalents	\$1,242.5	\$1,291.5	\$1,106.3	\$928.0	\$897.6	\$750.1	\$731.5	\$994.7	\$858.6	\$740.8	
Total Capital - Financing Sources	\$2,917.3	\$2,730.0	\$2,190.0	\$1,900.1	\$1,997.8	\$1,760.3	\$1,716.7	\$2,115.6	\$1,886.1	\$1,738.5	
Capital Adjustments	(\$10.1)	(\$77.8)	\$107.1	\$122.1	\$93.4	\$398.3	\$388.4	\$128.6	\$204.6	\$393.4	
Net Capital Financing Sources	\$2,907.1	\$2,652.2	\$2,297.1	\$2,022.2	\$2,091.2	\$2,158.6	\$2,105.2	\$2,244.3	\$2,090.7	\$2,131.9	
Net Working Capital	\$281.3	\$242.8	\$225.0	\$264.3	\$301.4	\$269.8	\$263.1	\$260.6	\$278.5	\$266.5	
Cost of Net Working Capital	\$17.0	\$18.4	\$19.2	\$19.6	\$20.5	\$21.3	\$20.8	\$19.8	\$20.5	\$21.0	
% of Revenue	1.05%	1.00%	1.10%	1.01%	0.99%	1.13%	1.08%	1.05%	1.04%	1.11%	
Operational Capital	\$481.5	\$540.0	\$536.1	\$571.4	\$663.9	\$532.5	\$519.3	\$568.8	\$589.3	\$525.9	
Cost of Operational Capital	\$28.0	\$35.8	\$44.1	\$44.5	\$44.7	\$44.6	\$43.5	\$42.7	\$44.6	\$44.0	
% of Revenue	1.73%	1.96%	2.52%	2.29%	2.16%	2.37%	2.27%	2.26%	2.27%	2.32%	
Productive Capital	\$2,503.7	\$2,414.8	\$2,350.4	\$2,019.3	\$2,196.7	\$1,863.8	\$1,817.7	\$2,169.0	\$2,026.6	\$1,840.7	
Cost of Productive Capital	\$107.5	\$172.5	\$195.4	\$175.4	\$152.5	\$151.3	\$147.6	\$169.4	\$159.7	\$149.5	
% of Revenue	6.44%	9.43%	11.17%	9.03%	7.39%	8.05%	7.71%	9.01%	8.16%	7.88%	
Total Operating Capital	\$2,382.5	\$2,267.3	\$2,218.7	\$1,932.5	\$2,098.5	\$2,118.1	\$2,065.7	\$2,127.0	\$2,049.7	\$2,091.9	
Cost of Total Operating Capital	\$101.2	\$163.1	\$183.9	\$166.6	\$145.8	\$157.2	\$153.3	\$163.3	\$156.5	\$151.2	
% of Revenue	6.25%	8.91%	10.51%	8.58%	7.06%	8.36%	8.01%	8.69%	8.00%	8.18%	
Non - Operating Capital	\$580.6	\$433.3	\$142.3	\$145.2	\$53.4	\$40.5	\$39.5	\$162.9	\$79.7	\$40.0	
Cost of Non - Operating Capital	\$37.6	\$35.6	\$23.6	\$11.5	\$7.2	\$3.5	\$3.4	\$16.3	\$7.4	\$3.5	
% of Revenue	2.32%	1.94%	1.35%	0.59%	0.35%	0.19%	0.18%	0.88%	0.38%	0.18%	
Total Capital	\$2,963.0	\$2,700.6	\$2,361.0	\$2,077.6	\$2,151.9	\$2,158.6	\$2,105.2	\$2,290.0	\$2,129.4	\$2,131.9	
Cost of Total Capital	\$138.8	\$198.6	\$207.5	\$178.2	\$152.9	\$160.7	\$156.7	\$179.6	\$163.9	\$158.7	
% of Revenue	8.57%	10.86%	11.86%	9.17%	7.41%	8.55%	8.19%	9.57%	8.38%	8.37%	
Cost of Capital (WACC)	7.10%	7.01%	8.20%	8.03%	7.23%	7.45%	7.45%	7.59%	7.57%	7.45%	
Capital Structure											
Debt & Debt Equivalents	\$1,674.7	\$1,438.6	\$1,083.7	\$972.2	\$1,100.1	\$1,010.2	\$985.2	\$1,121.0	\$1,027.5	\$997.7	
Debt & Debt Equivalents % of Market Value	24.78%	38.20%	22.58%	19.29%	25.97%	32.80%	32.80%	26.79%	24.95%	32.80%	
Preferred Equity	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Preferred Equity % of Market Value	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Market Value of Common Equity	\$5,083.2	\$2,327.1	\$3,715.6	\$4,068.5	\$3,136.3	\$2,069.3	\$2,018.1	\$3,063.4	\$3,091.4	\$2,043.7	
Common Equity % of Market Value	75.22%	61.80%	77.42%	80.71%	74.03%	67.20%	67.20%	73.21%	75.05%	67.20%	
Total Economic Market Value (MV)	\$6,758.0	\$3,765.6	\$4,799.3	\$5,040.7	\$4,236.5	\$3,079.5	\$3,003.3	\$4,184.3	\$4,118.9	\$3,041.4	
Total %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Excess Cash	\$580.6	\$433.3	\$142.3	\$145.2	\$53.4	\$40.5	\$39.5	\$162.9	\$79.7	\$40.0	
Economic Enterprise Value	\$6,177.4	\$3,332.3	\$4,656.9	\$4,895.5	\$4,183.1	\$3,039.0	\$2,963.8	\$4,021.4	\$4,039.2	\$3,001.4	
Average Capital	\$1,909.5	\$2,779.7	\$2,474.6	\$2,159.7	\$2,056.7	\$2,124.9	\$2,131.9	\$2,319.1	\$2,113.7	\$2,128.4	
Capital Δ	\$1,995.2	(\$254.9)	(\$355.1)	(\$274.9)	\$68.9	\$67.4	(\$53.4)	(\$149.7)	(\$46.2)	\$7.0	

Source: Company Data, Financial statements and Tigress Research

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Company Report – Research Update

VeriFone Systems, Inc. (PAY-US)

IT Services

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	04/30/2012	04/30/2013	04/30/2014	04/30/2015	04/30/2016	04/30/2017	04/30/2018	Average	Average	Trend
Return on Market Value (NOPAT / MV)	4.80%	4.25%	-0.48%	1.37%	3.04%	1.09%	1.06%	1.85%	1.83%	1.07%
Return on Enterprise Value (NOPAT / EV)	5.25%	4.80%	-0.49%	1.41%	3.08%	1.10%	1.07%	1.98%	1.86%	1.09%
Return on Capital (NOPAT / Average Capital)	16.99%	5.75%	-0.92%	3.20%	6.26%	1.58%	1.54%	3.17%	3.68%	1.56%
Cost of Capital (WACC)	7.10%	7.01%	8.20%	8.03%	7.23%	7.45%	7.45%	7.59%	7.57%	7.45%
Economic Return Spread	9.89%	-1.26%	-9.12%	-4.83%	-0.97%	-5.88%	-5.73%	-4.41%	-3.89%	-5.81%
Capital Charge	\$135.6	\$195.0	\$202.9	\$173.4	\$148.7	\$158.4	\$154.5	\$175.7	\$160.2	\$156.4
Economic Profit (EP)	\$188.9	(\$35.0)	(\$225.8)	(\$104.4)	(\$19.9)	(\$124.9)	(\$121.8)	(\$102.0)	\$31.1	(\$123.4)
Economic Profit Improvement (EPI)	\$104.7	(\$223.9)	(\$190.7)	\$121.4	\$84.5	(\$105.0)	\$3.1	(\$62.8)	\$33.6	(\$51.0)
EP Growth	124.51%	-118.54%	-544.89%	53.77%	80.93%	-527.58%	2.48%	-211.26%	-130.96%	-262.55%
Economic Profit Margin on Sales	11.66%	-1.91%	-12.90%	-5.37%	-0.96%	-6.64%	-6.36%	-5.56%	-4.33%	-6.50%
Economic Profit Per Share	\$2.04	(\$0.33)	(\$2.08)	(\$0.94)	(\$0.17)	(\$1.13)	(\$1.10)	(\$0.93)	(\$0.75)	(\$1.11)
GAAP Earnings Per Share	\$2.19	\$0.17	(\$2.65)	\$0.28	\$0.65	(\$1.27)	\$1.56	(\$0.56)	(\$0.11)	\$0.14
Excess Cash Per Share	\$5.43	\$4.00	\$1.28	\$1.27	\$0.48	\$0.36	\$0.35	\$1.48	\$0.71	\$0.36
Performance Drivers										
Sales Growth	45.40%	12.99%	-4.36%	11.04%	6.23%	-8.91%	1.82%	3.40%	2.79%	-3.55%
Sales Growth Trend (ROC Sales Growth)	37.11%	25.95%	2.58%	4.88%	8.15%	-2.85%	-2.48%	7.74%	3.39%	-2.66%
EBITDAR Margin	23.59%	30.96%	25.26%	27.88%	27.23%	25.21%	26.78%	27.31%	26.78%	25.99%
EBITDAR Growth	39.38%	48.28%	-21.96%	22.53%	3.79%	-15.67%	8.12%	7.39%	3.55%	-3.78%
NOPBT Margin	7.29%	8.60%	-1.30%	4.26%	5.99%	1.78%	4.01%	3.87%	4.01%	2.90%
NOPBT Growth	-13.19%	33.27%	-114.51%	462.74%	49.34%	-72.92%	129.27%	71.58%	146.39%	28.18%
NOPAT Margin	20.04%	8.74%	-1.30%	3.55%	6.24%	1.78%	3.79%	3.80%	3.86%	2.79%
NOPAT Growth	108.59%	-50.71%	-114.27%	402.34%	86.65%	-74.00%	116.55%	50.00%	138.33%	21.27%
Economic Profit Margin on Sales (EP / Sales)	11.66%	-1.91%	-12.90%	-5.37%	-0.96%	-6.64%	-6.36%	-5.56%	-4.33%	-6.50%
Economic Profit Growth	124.51%	-118.54%	-544.89%	53.77%	80.93%	-527.58%	2.48%	-211.26%	-130.96%	-262.55%
Economic Return Spread (ROC-WACC)	9.89%	-1.26%	-9.12%	-4.83%	-0.97%	-5.88%	-5.92%	-4.41%	-3.89%	-5.90%
Economic Return Ratio (ROC / WACC)	239.23%	82.05%	-11.25%	39.81%	86.62%	21.16%	20.62%	43.67%	49.19%	20.89%
Economic Profit Momentum (ΔEP/Capital)	3.60%	-8.44%	-8.30%	6.00%	4.04%	-4.86%	0.15%	-2.31%	1.73%	-2.36%
Economic Profit Momentum Margin (ΔEP/Sales)	6.47%	-12.24%	-10.90%	6.25%	4.09%	-5.59%	0.16%	-3.68%	1.59%	-2.71%
Capital Growth	218.80%	-8.77%	-13.39%	-11.97%	3.41%	3.22%	-2.48%	-5.50%	-1.78%	0.37%
Capital Turns	0.56X	0.69X	0.76X	0.96X	0.99X	0.87X	0.91X	0.85X	0.94X	0.89X
EVC Acceleration Margin	9.41%	-13.83%	-10.43%	6.94%	4.35%	-5.09%	0.16%	-3.28%	1.78%	-2.60%
EVC Acceleration Spread	13.20%	-11.72%	-6.86%	4.91%	3.91%	-5.11%	0.15%	-2.94%	1.45%	-2.41%
Risk Factors										
Free Cash Flow (NOPAT - Δ Capital)	(\$1,670.7)	\$414.9	\$332.3	\$343.9	\$59.9	(\$33.9)	\$126.0	\$223.4	\$123.3	\$46.0
Free Cash Flow Rate (FCF / Capital)	-57.47%	15.64%	14.47%	17.00%	2.86%	-1.57%	5.98%	9.68%	6.10%	2.21%
Free Cash Flow Yield (FCF / MV)	-24.72%	11.02%	6.92%	6.82%	1.41%	-1.10%	4.19%	5.02%	2.38%	1.55%
Total Debt / Total Capital	57.61%	54.24%	47.18%	48.07%	52.61%	46.80%	46.80%	49.78%	49.16%	46.80%
Total Debt / EBITDAR	438.42%	253.98%	245.18%	179.50%	195.72%	213.12%	192.23%	217.50%	196.11%	202.68%
Excess Cash	\$580.6	\$433.3	\$142.3	\$145.2	\$53.4	\$40.5	\$0.0	\$162.9	\$79.7	\$20.3
Financial Leverage ((Total Debt - Excess Cash) / V)	16.19%	26.70%	19.61%	16.41%	24.71%	31.49%	32.80%	23.78%	24.20%	32.15%
Pension Leverage (Net Pension Liability / MV)	-0.02%	-0.04%	-0.03%	-0.03%	0.00%	0.00%	0.00%	-0.02%	-0.01%	0.00%
Equity Risk Index (S&P 500 = 1.00)	1.46	1.47	1.48	1.48	1.50	1.52	1.52	1.49	1.50	1.52
Stock Price Volatility	6.01	7.93	7.21	4.54	4.64	5.34	5.34	5.93	4.84	5.34
Sales Index (NL Sales)	7.39	7.51	7.47	7.57	7.63	7.54	7.56	7.54	7.58	7.55
Market Value Index (NL Market Value)	8.82	8.23	8.48	8.53	8.35	8.03	8.01	8.32	8.30	8.02
Size Index (NL Sales: MV)	8.10	7.87	7.97	8.05	7.99	7.79	7.78	7.93	7.94	7.78
Beta	1.69	1.70	1.71	1.72	1.75	1.78	1.78	1.73	1.75	1.78
TFP Adjusted Beta	1.46	1.47	1.48	1.48	1.50	1.52	1.52	1.49	1.50	1.52
Stock Price Volatility	6.01	7.93	7.21	4.54	4.64	5.34	5.34	5.93	4.84	5.34
Valuation Measures										
Total Economic Market Value (MV)	\$6,758.0	\$3,765.6	\$4,799.3	\$5,040.7	\$4,236.5	\$3,079.5	\$3,003.3	\$4,184.3	\$4,118.9	\$3,041.4
Economic Enterprise Value	\$6,177.4	\$3,332.3	\$4,656.9	\$4,895.5	\$4,183.1	\$3,039.0	\$2,963.8	\$4,021.4	\$4,039.2	\$3,001.4
Equity Market Value	\$5,083.2	\$2,327.1	\$3,715.6	\$4,068.5	\$3,136.3	\$2,069.3	\$2,018.1	\$3,063.4	\$3,091.4	\$2,043.7
Total Capital	\$2,963.0	\$2,700.6	\$2,361.0	\$2,077.6	\$2,151.9	\$2,158.6	\$2,105.2	\$2,290.0	\$2,129.4	\$2,131.9
Market Value Created MVC (MV - Capital)	\$3,794.9	\$1,065.0	\$2,438.3	\$2,963.0	\$2,084.5	\$920.9	\$898.1	\$1,894.4	\$1,989.5	\$909.5
MVC Margin (MVC / Sales)	234.37%	58.21%	139.36%	152.52%	101.00%	48.99%	46.92%	100.06%	101.39%	47.95%
MVC Spread (MVC / Capital)	128.07%	39.44%	103.27%	142.61%	96.87%	42.66%	42.66%	82.72%	93.43%	42.66%
Current EVC Value (EP / WACC)	\$2,658.7	(\$499.1)	(\$2,753.1)	(\$1,299.9)	(\$275.2)	(\$1,675.5)	(\$1,634.1)	(\$1,344.4)	(\$1,096.9)	(\$1,654.8)
Current Operations Value COV	\$4,568.2	\$2,280.6	(\$278.4)	\$859.8	\$1,781.5	\$449.3	\$497.8	\$974.7	\$1,016.8	\$473.6
Current Operations Value Per Share	\$49.43	\$21.31	(\$2.56)	\$7.71	\$15.62	\$4.05	\$4.51	\$8.83	\$9.07	\$4.28
Future Growth Value (MVC - EVA Value)	\$2,189.7	\$1,485.0	\$5,077.7	\$4,180.9	\$2,455.0	\$2,630.2	\$2,505.5	\$3,209.6	\$3,102.1	\$2,567.8
Future Growth Value Reliance (FGV / MV)	32.40%	39.44%	105.80%	82.94%	57.95%	85.41%	83.42%	76.71%	75.31%	84.43%
Share Price	\$47.64	\$21.48	\$33.44	\$35.77	\$28.46	\$0.00	\$0.00	\$23.83	\$21.41	\$0.00
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Shareholder Return (TTM)	-13.10%	-54.91%	55.68%	6.97%	-20.44%	-100.00%	0.00%	0.00%	-10.16%	-100.00%
MV to IC Ratio	2.28X	1.39X	2.03X	2.43X	1.97X	1.43X	1.43X	1.83X	1.93X	1.43X
EV / EBITDAR Multiple	16.17X	5.88X	10.54X	9.04X	7.44X	6.41X	5.78X	7.77X	7.68X	6.08X
EV / NOPBIT Multiple	52.31X	21.17X	-203.98X	59.11X	33.82X	90.73X	38.59X	53.69X	50.49X	54.42X
EV / NOPAT Multiple	19.04X	20.83X	-203.98X	70.92X	32.47X	90.73X	40.86X	54.57X	52.38X	56.61X
EV / EP Multiple	32.71X	-95.19X	-20.63X	-46.91X	-210.18X	-24.33X	-24.33X	-39.43X	-48.63X	-24.33X
Future Growth Value (% of MV)	32.40%	39.44%	105.80%	82.94%	57.95%	85.41%	83.42%	76.71%	75.31%	84.43%
Current Operations Value (% of MV)	67.60%	60.56%	-5.80%	17.06%	42.05%	14.59%	16.58%	23.29%	24.69%	15.57%
Market Value (COV + FGV %)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Basic Shares Outstanding	92.4	107.0	108.6	111.6	114.0	110.8	110.4	110.4	112.2	110.6

Source: Company Data, Financial statements and Tigress Research

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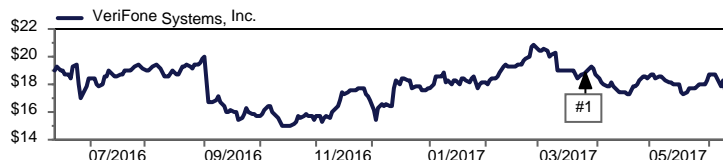
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VeriFone Systems, Inc. (PAY-US)
IT Services
Ratings History

VeriFone Systems, Inc. (PAY-US)				
Item #	Date	Research Action	Rating	Price
#1	03/27/2017	Initiation of Coverage	Buy	\$18.91


Tigress Research Methodology Overview

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

Business Performance: Measuring economic profitability, growth and operating efficiency.

Risk: Measuring business sustainability, volatility, strength and consistency.

Valuation: Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk and value into relative market and industry investment recommendations.

For more information on our research methodology, please review the *Tigress Investment Research Guide to Company Valuation and Analysis*.

Glossary of Key Terms and Measures

Excess Cash per Share:	Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.
EBITDAR:	Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.
NOPAT:	Net Operating Profit after Tax. Represents a company's after-tax cash operating profit excluding financing costs.
Total Invested Capital:	Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of company.
Return on Capital:	Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.
Cost of Capital:	Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.
Economic Profit:	Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.
Current Operations Value:	Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.
Future Growth Value:	Future Growth Value is the portion of market value based on un-earned Economic Profit

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Rating:	Meaning:	Rating Distribution				
		Companies Under Coverage		Relationship Companies Under Coverage*		
		#	%	#	%	
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Buy:	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	55	45%	5	83%	
Neutral:	Expect little or no outperformance opportunity over the next 12 months.	46	37%	1	17%	
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Sell:	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0%	
Not Rated	No Current Research Rating	NA	NA	62	NA	
		Total	123	100%	68	100%

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June 23, 2017
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