

Reports Of Private Equity Interest In VeriFone Systems Came As No Surprise To BTIG Analysts

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BTIG said it is not surprised by recent reports of private equity interest in **VeriFone Systems Inc**

▼ PAY 1.02% (<http://benzinga.com/stock/pay#NYSE>) , as the company's strong free cash flow and attractive valuation make it an "interesting" takeover target.

Analyst Mark Palmer, who started coverage of the stock with a Buy rating and price target of \$21, said the recent pullback in the shares (down 39 percent year-to-date) offers a buying opportunity for investors. The target price implies potential upside of 22 percent.

VeriFone shares have taken a beating in recent times due to limited near-term visibility, driven by slower-than-expected adoption of EMV chip-card readers by SMBs and macro softness in certain markets.

"[W]e believe the market is undervaluing PAY's position as part of an effective duopoly with Ingenico in the credit-and debit-card terminal space in which secular tailwinds still prevail," Palmer wrote in a note.

Related Link: Argus Downgrades VeriFone On Guidance Concerns (<http://www.benzinga.com/analyst-ratings/analyst-color/16/09/8426727/argus-downgrades-verifone-on-guidance-concerns>)

The analyst cited a Nilson Report that suggests VeriFone's U.S. market share was about 50 percent versus about 27 percent for Ingenico.

Palmer noted that the current weakness in Latin America and "freeze-up" of key-market Turkey following the coup attempt on July 15, "are already more than baked into the stock price."

"Moreover, it appears more a matter of when rather than if revenues and earnings pushed off by slower-than-expected EMV adoption will be realized," Palmer highlighted.

Further, Palmer pointed out management's comments "that at the end of 2016 more than 5mm terminals in the U.S. will still need to be upgraded to EMV, a figure higher than they had expected."

The analyst projects FY16 EPS/Sales of \$1.65/\$1.99 billion and FY17 EPS/Sales of \$1.56/\$1.95 billion.

At time of writing, VeriFone was seen at \$16.67, down 2.97 percent.

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