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NCR - Q2 2016 NCR Corp Earnings Call

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OVERVIEW:

Co. reported 2Q16 non-GAAP EPS of $0.72. Expects 2016 revenue to be $6.325-6.400b and non-GAAP EPS to be $2.90-3.00. Expects 3Q16 adjusted constant-currency revenue growth to be 7% and non-GAAP EPS to be $0.77-0.82.

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PRESENTATION

Operator

Good day and welcome to the NCR Corporation second-quarter FY16 earnings conference call. Today's conference is being recorded.

At this time I'd like to turn the conference over to Mr. Gavin Bell, Vice President of Investor Relations. Please go ahead, sir.

Gavin Bell - *NCR Corporation - VP, IR*

Good afternoon and thank you for joining our second-quarter 2016 earnings call. Joining me on the call today and offering opening remarks are Bill Nuti, Chairman and Chief Executive Officer; Bob Fishman, Chief Financial Officer; and Paul Langenbahn, Senior Vice President and President of Hospitality.

Additionally, available on the call today for Q&A are Andy Heyman, Senior Vice President and President, Financial Services; and Michael Bayer, Senior Vice President and President, Retail Solutions.

Our presentations and discussions today include forecasts and statements that are considered forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. While these statements reflect our current outlook, expectations and beliefs, they are subject to a number of risks and uncertainties that could cause actual results to vary materially. These risks and uncertainties are described in our earnings release and our periodic filings with the SEC, including our annual report to stockholders.

On today's call, we will be referring to presentation materials posted on our website. We will also be discussing certain non-GAAP financial information, such as free cash flow, and results from operations, excluding the impact of special items. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures and other information concerning such measures are included in the presentation materials and in our earnings release. These are also available on the investor relations section of NCR's website. A replay of the call will be available later today on our website, NCR.com.

With that I would like to turn the call over to Bill Nuti.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

I was pleased with Q2 results and where we landed at the halfway market of 2016. Overall, Q2 results came in better than expected on the back of higher revenue, driven by Software and Services. Bob will take you through the numbers in a moment, while Paul Langenbahn, who will be promoted to NCR's Executive Vice President for Solution Management on January 1, will expand on solution revenue, key metrics, and market drivers.

But, before they do that, let me say that the first half of 2016 demonstrated improving execution by the NCR team and further fueled our confidence in our long-term strategy. Net-net, it was evident to me in the first half that the NCR transformation is turning the corner and gaining momentum. We are seeing increased customer interest in omnichannel software, channel transformation, and digital enablement offers translate into increased sales activity, higher orders in backlog, significant SaaS and bookings growth, improved services (inaudible) growth, and an improving edge for hardware business as evidenced by strong order growth in that segment.

Recently announced strategic wins, like Wells Fargo in financial services, Speedway in retail, and Buffalo Wild Wings in Hospitality, are clear examples of these offers gaining traction across our largest go-to-market initiatives. Moreover, we are experiencing better sales and operation execution across our enterprise and with a programmatic focus on operating model innovation, which will result in a more productive, efficient, and strategically aligned Company, I see a stronger NCR in the quarters and years to come. As a result, you'll hear from us today that we're going to raise revenue guidance for the full year and remain confident in our updated Q1 earnings guidance of $2.90 to $3 per share.

Now I'll turn the call over to Bob and he'll take you through the details of our Q2 results and guidance. Bob?

Bob Fishman - *NCR Corporation - EVP, CFO & Chief Accounting Officer*

Thank you, Bill. Slide 4 shows our financial highlights for Q2.

Revenue was up 4% on an adjusted constant currency basis. We were very pleased with our revenue performance in the quarter, which came in $40 million over the top end of our guidance. This was driven by strong performance in Software and Services and continued momentum in our Hardware business. Our recurring revenue now comprises 43% of our total revenue, up from 42% in Q2 2015.

Looking at margins, Q2 non-GAAP gross margin was 28.7% which was down 30 basis points. While Software margins were higher in the quarter, this did not offset the lower Hardware margins. We continue to expect improvements in Hardware margins as unit volumes increase and new product introductions ramp up in the back half of the year. We also expect Services gross margin improvement due to increase productivity and efficiency gains.

Q2 non-GAAP EPS was $0.72, above the top end of our guidance range we previously provided and increased 18% year-over-year constant currency. We were also pleased with free cash flow in the quarter, which improved $84 million from the first quarter. Free cash flow was lower than the prior year due to higher working capital required to support the back-half revenue.

Slide 5 shows our Q2 operational results on an as-reported and constant-currency basis. Revenue was up 1% as reported and 4% on an adjusted constant currency basis. We are using an adjusted constant currency measure throughout these documents to show revenue growth on a constant currency basis and to reflect the sale of the Interactive Printer Solutions business in May of 2016.

The IPS sale was substantially completed in May with the remainder of the Middle East/Africa countries expected to close at the end of September. The Middle East/Africa IPS quarterly revenue is less than $10 million per quarter. Revenue has been adjusted for foreign currency translation and by excluding IPS revenue in the prior-year periods to create an apples-to-apples comparison of growth. No adjustments related to IPS were made in any other P&L line items due to immateriality.

For Q2, in our calculation for adjusted constant currency revenue growth, we excluded $29 million for June 2015 IPS revenue. No adjustment was made for Middle East/Africa IPS since it will close in September. We have included footnotes on the various slides to show the adjustments that were made in all periods.

Operating expenses were 15.9% of revenue versus 16.5% of revenue in the prior year and reflects our continued focus on expense management. As a reminder, we are now including ongoing pension expense in our operating results, which negatively impacts the year-over-year compares throughout 2016 for both operating income and EPS. Q2 2016 includes an additional $2 million, or $0.01, of ongoing pension expense compared to the prior year.

Non-GAAP EPS was up 9%, as reported, and up 18% on a constant currency basis, reflecting our solid performance in the second quarter.

The next slide shows our Q2 GAAP results. The reconciling items include acquisition-related amortization of intangibles, acquisition-related costs, restructuring transformation costs, as well as divestiture and liquidation losses. For a reconciliation of non-GAAP to GAAP results, please refer to the supplementary materials at the end of this presentation.

The significant improvement in GAAP results was due to a $427 million non-cash charge in Q2 2015 related to the settlement of the UK London pension plan. The settlement unfavorably impacted the Q2 2015 GAAP diluted EPS by $2.51.

Slide 7 shows our segment revenue results for the second quarter. As you can see, our mix of revenue continues to improve with Software and Services comprising 63% of total revenue in the second quarter as compared to 61% in the prior year. Paul will discuss our segment results in greater detail later on the call.

The next slide shows our revenue by region. In Q2 we saw 8% adjusted constant currency revenue growth in the Americas region, driven by growth in the Software and Services segments. The Europe, Middle East Africa and Asia Pacific regions continued to see macroeconomic challenges in certain countries.

On slide 9 you can see free cash flow for the quarter, which was in line with our expectations. Free cash flow was $55 million in Q2 2016, compared to $95 million in the prior year. The decrease was due to higher working capital as we planned for increased revenue in the second half of the year.

We are confident in our 2016 free cash flow guidance, which remains unchanged at $425 million to $475 million, or approximately 95% of non-GAAP net income. Capital expenditures and spend on discontinued operations remain on track to achieve our full-year goal. We expect cash flow from operations to improve as revenue and profit build throughout the year.

Slide 10 shows our net debt to EBITDA metric with a net debt leverage ratio of 3.1 times for Q2 2016. The increase in the leverage ratio from Q4 2015 is related to the common stock repurchases in the first half of the year. We repurchased $37 million in the second quarter, which completed our $250 million share buyback.

As noted in our earnings release, a new share authorization program was approved in July for $300 million and we approved the revision of our existing dilution program to include equity awards and PIK dividends as it previously only covered dilution for our ESPP and option plans.

NCR remains committed to a balanced capital allocation strategy. For the remainder of the year, we will use free cash flow to reduce our net debt balance, which will significantly improve our leverage multiple by the end of the year.

On slide 11, you will find Q3 2016 guidance. Revenue growth will be up 7% adjusted constant currency, a very solid number.

Due to the strong backlog coming out of the second quarter, Hardware growth is expected to be significant in the third quarter. Software growth will continue to benefit from unattached Software and will now take advantage of higher attached Software from the higher Hardware revenue. Services will continue to benefit from the file value growth at the end of the second quarter.

Our non-GAAP EPS is expected to be $0.77 to $0.82 for the quarter. We expect $0.01 of negative impact from unfavorable foreign currency movements. Our non-GAAP EPS growth will be roughly flat with prior year at the midpoint of the range. However, the tax rate this year is expected to be 24%, compared to 18% last year due to audit settlements booked in the prior year. Normalizing for the tax rate, non-GAAP EPS would be up approximately 10%.

Additionally, for Q3 2016, we have assumed OIE of $52 million and a share count of 156 million, compared to OIE of $49 million and a share count of 172 million in Q3 2015.

Slide 12 includes our full-year 2016 guidance. We are raising our revenue guidance to $6.325 billion to $6.4 billion, up from previous guidance of $6.25 billion to $6.35 billion. Revenue is expected to be up 4% to 5% adjusted constant currency, which includes 1% of FX headwind, similar to previous guidance.

We are reaffirming our non-GAAP EPS of $2.90 to $3, even though our FX and pension headwind has increased from $0.10 to $0.13 due to increased FX. As mentioned earlier, our free cash flow guidance remains unchanged at $425 million to $475 million. For the 2016 guidance, we've assumed OIE of $205 million to $210 million, an effective tax rate of 25%, and a share count of 157 million, compared to OIE of $196 million, an effective tax rate of 23%, and a share count of 172 million in 2015.

Slide 13 shows our revenue guidance by segment for the full year. Software revenue is still expected to grow 4% to 5% for the full year, after growing 3% in the first two quarters. Services revenue is still expected to grow 3% to 4% for the full year. Hardware revenue is now expected to grow 4% to 5% for the full year, up from 1% to 3%. This reflects the strong backlog position and higher conversion rates in the back half of the year.

You can see on slide 14 our revenue, operating income, and EPS trending over the last three years. Using the midpoint of our guidance range, the implied guidance for the fourth quarter is in line with previous years. Fourth-quarter revenue represents 26% of the full year, consistent with previous periods and operating income represents 32% of the full year, again, consistent with previous periods.

While EPS is slightly higher at 35% versus 31% to 32%, this is explained by an improved tax rate in the fourth quarter, as well as the benefit of the share repurchases earlier in the year. We remain confident in the full-year tax rate of 25%.

I'll now turn the call over to Paul to go through the segments in more detail.

Paul Langenbahn - *NCR Corporation - SVP & President, Hospitality*

Thanks, Bob. I'll start with a brief update on the omnichannel market. As was highlighted during our investor day earlier this year and on our previous earnings call, the omnichannel market is an evolving, high-growth segment. While leading this segment has driven NCR's strategy for over 10 years, the market for omnichannel is here and beginning to coalesce around three strategic offers: omnichannel software, channel transformation, and digital enablement.

Omnichannel software consists of platform software and application solutions that seamlessly integrate physical and digital channels, while aggregating and integrating vast and often disaggregated enterprise data into insightful and actionable information for both consumers and employees. NCR has a powerful lineup of omnichannel software and application offers for the financial services, retail, hospitality, venue, and small business markets. You would be familiar with some of our offers such as Retalix 10 and Retail ONE for retail, Customer Experience Platform, or CxP, for financial services; Aloha Enterprise for hospitality, and NCR Silver for small business.

Channel transformation consists of solutions that transform both physical and digital channels, driving increased productivity and revenue for the enterprise, while modernizing consumer experiences across all channels. Like omnichannel software, NCR has a fulsome lineup of offers in branch transformation for banking; store transformation for virtually every segment in retail; hospitality and venue transformation for restaurants and major venues, such as stadiums; and small business transformation, which allows small businesses to be on an even playing field with the capabilities traditionally afforded larger businesses.

Digital enablement consists of solutions that drive the growing digitization movement, particularly in the areas of mobile enablement and physical-to-digital business processes. These offers address the needs of the rapidly changing consumer behavior we're all witnessing in the market, combined with improving efficiencies and lower cost for our customers by digitizing outdated, labor-intensive business processes.

NCR sees its future in enabling digitally-integrated businesses, going beyond the transformation and integration of channels, and we have a number of solutions that are at the forefront of this movement. NCR solutions in financial services include mobile banking, remote deposit, loyalty and digital check processing, while mobile ordering and payment, click and collect, loyalty, secure payments, fraud prevention and real-time actionable insights are just a few of our solutions in retail and hospitality.

In small business, NCR offers a suite of SaaS-based digital enablement applications that address inventory management, labor and workforce scheduling, security and fraud, as well as loyalty and promotions. Now let me move on to slide number 16 to discuss our Software results.

On slide 16, you will see our Software update. Revenue was up 3% driven by growth in software maintenance and professional services revenue. Unattached software license revenue, a key metric, increased 9% year over year. The increase in software maintenance revenue was driven by software license growth in prior periods.

And although cloud revenue was down slightly, it was as expected. We were pleased with new SaaS bookings in the quarter, as reflected by net new ACV of $18 million. This is a key indicator of future cloud revenue growth.

Professional services revenue was up in the quarter driven by omnichannel wins in the first quarter. Operating income was up $14 million, or 12%, on a constant currency basis, driven by a combination of higher revenue and lower expenses.

We saw strong performance across our strategic offers including omnichannel software, channel transformation, and digital enablement, which generated strategic wins in the quarter with Speedway, Buffalo Wild Wings, and Bancolumbia. Additionally, demand for our channel transformation solutions is growing across branch, store, restaurant, and venues, particularly as physical channels transform the front end of their business to be more automated and mobile.

Digital enablement continues to gain traction with an increase in our NCR Silver subscription base of 85% and in our Digital Insight user base of 6%, and we saw a 67% increase in transaction volume on our secure payments platform, Connected Payments. Additionally, in the hospitality industry, our platform enabled the nationwide launch of a mobile application with a large quick service restaurant chain that was the number one download in the App Store on launch date.

Additionally, we are pleased with the expansion of our NCR Silver offering where we reached a distribution agreement with Sands Information Systems Company, a large payments processor in China. As you can see, the value of our strategic offers across multiple industries is being recognized by our customers and continues to drive growth in our Software segment.

The next slide shows our Q2 Services results. Revenue was up 8% on a constant currency basis, due to growth in hardware maintenance, managed and implementation services. Operating income was up $1 million due to higher revenue, offset by $5 million of higher expenses. Operating expenses are flat as a percent of revenue year over year.

Our channel transformation offers lead to significant growth in our hardware maintenance and implementation services across all industries in the quarter. We continue to see the expansion of higher-value managed service offerings in adjacent services such as software distribution and endpoint security. Additionally, we are driving increased availability and efficiency for our community financial institution customers through our managed service offerings and our investment in big data and predictive analytics are allowing customer service cases to be resolved more efficiently.

We are also continuing to focus on delivering incremental productivity gains which will drive future margin rate improvement. Additionally, our Services file value, or Services backlog, has improved year over year. We continue to be confident in the remainder of the year, given the combination of increased file value and the focus on productivity and efficiencies.

Turning to slide 18, Hardware revenue was flat on an adjusted, constant currency basis. ATM revenue was down 4% constant currency. This reflected a significant improvement from the first quarter, which, as you will recall, was down 17%. That said, ATM backlog is strong entering the third quarter.

Self checkout revenue was up 46% due to the continuing upgrade cycle and store transformation initiatives in the retail segment. Point-of-sale revenue was lower given some shift to self checkout, partially offset by higher POS growth in restaurants.

Operating income was down $8 million due to lower revenue and gross margin rate. The gross margin rate was negatively impacted by higher initial expenses associated with our new ATM product family and mix. However, we saw improvement in the second-quarter gross margin rate sequentially as it was up 280 basis points over Q1 2016.

Channel transformation drove strategic wins in the quarter, including Huntington Bank in North America and Sberbank in Russia, amongst others. Additionally, we are experiencing strong demand for our new line of multifunction ATMs, the Series 80.

Self-checkout order volumes remained strong for the fourth consecutive quarter on the back of continued store transformation initiatives in retail, resulting in a strong backlog position. And, in fact, according RBR, NCR was number one for the 15th consecutive year in global self-checkout shipment share.

Next, our new POS hardware portfolio is ramping faster than originally expected, showing strong demand for both ePOS and mPOS solutions. Also, it's worth pointing out that RBR also currently ranks NCR number one in North America and number two globally in shipments of electronic point-of-sale technology.

With that, I'll turn it over to Bill for closing comments.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

The NCR team delivered a solid first half of 2016. This year has been marked by improving execution and a number of large, strategic wins in the omnichannel software, channel transformation, and digital enablement space. NCR's transformation has matured and our long-term strategic plan has been validated by consumer technology and industry trends, consumer activity, and market forecasts.

As we enter the back half of 2016, our backlog remains robust and all of our business metrics point to a successful year. Our goal is to continue focusing on improved execution, further drive our business transformation effort, and enter 2017 with momentum. Our clear-cut focus will be on sales funnel and order growth, backlog conversion, margin expansion driven by software, a competitive and more strategically-aligned cost structure, and capturing the developing customer opportunities in the omnichannel channel transformation and digital enablement markets.

Between now and 2025, companies in all industries will be primarily focused on these three offer categories to adjust to a rapidly-changing connected consumer and operating model innovation required to remain relevant. For over a decade, we've been architecting a reinvention to be a leader in the omnichannel market and we are confident that we have the vision, assets, solutions, products, partners, and people to be successful.

Before we close, I'd like to introduce our new Head of Investor Relations, [Michael Nelson], and sincerely thank Gavin Bell for his leadership and service at NCR over the past decade. We all wish Gavin well and the best in his future endeavors.

Operator, we will now open the call to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Kartik Mehta, Northcoast Research Partners.

Kartik Mehta - *Northcoast Research - Analyst*

Thank you. Good afternoon, Bob and Bill. Bill or Bob, I was hoping to get your thoughts on spending patterns in Europe, especially the UK; because of Brexit we've heard so much. I'm wondering if you've seen any changes or is it status quo at this point in time and what your expectations are.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

Let me kick it off. Hello, Kartik. Number one, all of what we've said today vis-a-vis guidance is baked in in terms of our Brexit point of view. But let me ask Andy, Michael, and Paul for your views on Brexit. Andy?

Andy Heyman - *NCR Corporation - SVP & President, NCR Financial Services*

It's a good question, Kartik, and on June 22 we certainly all felt around the world the vote. Our outlook always -- we have a big business at NCR; it's very diversified. There's always some good things going on and some challenges, and Brexit certainly is affecting how people are thinking about investments.

We've got a conservative outlook for the back half and I think time will tell how things settle out. I think in the short term there's certainly caution that we've built into our outlook for the year. Medium term, we really hear two points of view -- one that could be steady-state and others that are more cautious -- so that's how things are shaking out now.

For us at NCR, we look at this as change is a good thing. It's an efficiency play. It's going to cause a tremendous amount of focus on driving costs out of the system. We have tools that help financial institutions do that. And we also think that it will help our Service business as we see financial institutions look to increase demand around outsourced models, which we think plays well into our strengths.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

Michael?

Michael Bayer - *NCR Corporation - SVP & President, NCR Retail*

Hi, Kartik. From our point of view in retail, we've seen of course two weeks of retail customer spending going down, but then it normalized. Projects we have in the pipeline and the customers we are working with are committed to go through their store transformation and we are looking closely with our customers on forward-looking trends. But right now, we don't see an impact with our retailers in the UK so far.

Kartik Mehta - *Northcoast Research - Analyst*

And then just a follow-on to a retailer you're talking about, it seems like one of the drivers has been self-checkout. Based on what you're seeing in terms of backlog and other conversations you're having, how much of this do you think is a short-term anomaly? How much of this do you think can continue at least for the next two, three years?

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

Hey, Michael, I'll kick it off and then hand (multiple speakers) over to you.

Couple of thoughts, Kartik. Number one, the entire channel transformation space in physical channels, be it brands, store, hospitality, or venue, is a long-term trend and the overall penetration of self-service at the front end has really not even begun. So, I think we're on a long-term trend in all markets, not just retail. But, Michael, go ahead.

Michael Bayer - *NCR Corporation - SVP & President, NCR Retail*

I would say our customers have decided to go with us on to a journey and the journey is not self-checkout as such; it's changing the checkout experience. It's self-checkout in different form factors. It's in-aisle mobile point-of-sale. It's employees with tablets in point-of-sale. So it's the whole checkout experience including mobile applications, which the customers have on their smartphones.

That is a journey of three, five, or five-plus years, depending where the customer is right now, and we are blessed to have customers who have given us the trust to participate in that journey with us. And this is shown in all markets around the globe.

In addition to that, we have to remind ourselves that self-checkout is not available in all of the countries around the world. The majority of self-checkout might be conducted in 10-plus countries. We are opening more and more countries as the labor cost and the labor availability in the big cities is getting an ongoing -- is becoming an ongoing headache for our customers.

We've taken a lot of share in Russia; we are going into Southeast Asia. And there are more to come also in Latin America as those markets are opening and the labor costs are increasing.

Kartik Mehta - *Northcoast Research - Analyst*

Then just one final question, Bob, for you. You talked about driving down the leverage ratio, which obviously you will be. I'm just wondering where your comfort level is and your thoughts on how you would use free cash flow going forward, once you get to that point where you think the leverage ratio is appropriate for the Company.

Bob Fishman - *NCR Corporation - EVP, CFO & Chief Accounting Officer*

For us, we've always said we'd like to say stay solid DD. Think of that as between 2.5 and 3 times leverage.

In terms of capital allocation, it's not a whole lot different from what we had said at investor day. It's a very balanced strategy around return of capital to shareholders, small M&A and then net debt pay down.

Kartik Mehta - *Northcoast Research - Analyst*

Thank you very much. I appreciate it, Bob.

Operator

Ian Zaffino, Oppenheimer.

Dan Metoli - *Oppenheimer & Co. - Analyst*

This is [Dan Metoli] in for Ian. Thanks for giving me the opportunity to ask a question.

As a follow-up, maybe you could give us an idea when you feel ATM hardware will turn positive, given the (multiple speakers).

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

ATM Hardware revenues will turn positive in Q3.

Dan Metoli - *Oppenheimer & Co. - Analyst*

Q3, okay.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

In the current quarter. As well as Q4.

Dan Metoli - *Oppenheimer & Co. - Analyst*

Okay, Q3, Q4; excellent. Then in terms of the SCO hardware, how long do you see that growth? Is that something that we could say is the foreseeable future or maybe just get a better outlook as to how the SCO hardware (multiple speakers)?

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

I think the best way to say that is it's a long-term trend. I think the entire channel transformation space is a long-term trend. Not just in self-checkout, as Michael said earlier, but across every industry.

Dan Metoli - *Oppenheimer & Co. - Analyst*

Excellent. That's very helpful, thank you.

Operator

(Operator Instructions) Matt Summerville, Alembic Global Advisors.

Matt Summerville - *Alembic Global Advisors - Analyst*

Thank you. A couple questions. First, in the past, you've been willing to quantify your backlog and its relative position versus prior periods. If you are able to do that, can you talk a little bit more about your backlog position entering the second half of the year; where you're at with SaaS signings and Service file value as well? Any numerical metrics you can put around that would be helpful.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

Overall backlog, Matt, is up low double digits and Hardware is up low double digits as well. Mostly driven by Hardware. But I would tell you that Software is also up mid single digits, so a very solid backlog position.

And then file value, Bob?

Bob Fishman - *NCR Corporation - EVP, CFO & Chief Accounting Officer*

That's up low single digits. So overall, Matt, we're very pleased. We had very strong order performance in the second quarter that allowed us to continue to grow the backlog, so being up low single digits. It's roughly 13% up going into the third quarter, Matt, so that's a really good number for us.

Paul Langenbahn - *NCR Corporation - SVP & President, Hospitality*

This is Paul. One other metric that we'll start tracking for you is net ACV growth, which is -- think of it as sort of analogous to backlog for our cloud business. That's another area where we've seen really solid growth in Q2 and year-to-date is in our net ACV position, so we're very happy with that as well.

Matt Summerville - *Alembic Global Advisors - Analyst*

Got it. Then just back on the ATM business, or financial services, I should say, overall. Is the inflection point you anticipate seeing on a year-over-year basis being driven by something industry related, and geographic comments would be helpful? Or is it more related to your launch of your next-generation product family?

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

Andy, why don't you take that?

Andy Heyman - *NCR Corporation - SVP & President, NCR Financial Services*

It's hard to separate those two things, Matt. The way I think about it is the competitive landscape has changed drastically the last 12 months, for obvious reasons, and we've been investing significantly in the new launch. That launch, to date, has only driven about hundreds of units in the first half. It will drive thousands of units in the second half.

And so you'll see new demand that we've already signed contracts for that drives double-digit growth in the second half. Marginally where you're going to see that volume is in the Americas and in Europe, and then we see that expanding as we look down into 2017.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

Hey, Matt, to put a few numbers around that, our new ATM product family, the Series 80, we'll ship about 4,000 of them in the back half and we only shipped about 700 units in the first half. So it's a big difference.

Matt Summerville - *Alembic Global Advisors - Analyst*

Great. Thank you guys very much.

Operator

As there are no further phone questions, we'll turn it over to Mr. Bill Nuti for closing remarks.

Bill Nuti - *NCR Corporation - Chairman, President & CEO*

Well thank you very much, folks. Take care; have a good night.

Operator

That concludes today's conference call. We appreciate your joining.
