

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 26, 2018



**NCR CORPORATION**

(Exact name of registrant as specified in its charter)

Commission File Number 001-00395

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**31-0387920**

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

**864 Spring Street NW  
Atlanta, GA 30308**

(Address of principal executive offices and zip code)

**Registrant's telephone number, including area code: (937) 445-5000**

**N/A**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 2.02. Results of Operations and Financial Condition.**

On July 26, 2018, the Company issued a press release setting forth its second quarter 2018 financial results along with its updated fiscal year 2018 financial outlook. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

**Item 7.01. Regulation FD Disclosure.**

On July 26, 2018, the Company will hold its previously announced conference call to discuss its second quarter 2018 results and updated fiscal year 2018 financial outlook. A copy of supplementary materials that will be referred to in the conference call, and which were posted to the Company's website, is attached hereto as Exhibit 99.2.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits:

The following exhibits are attached with this current report on Form 8-K:

Exhibit No.	Description
99.1	Press Release issued by the Company, dated July 26, 2018
99.2	Supplemental materials, dated July 26, 2018

**Index to Exhibits**

The following exhibits are attached with this current report on Form 8-K:

<u>Exhibit No.</u>	<u>Description</u>
99.1	<a href="#">Press Release issued by the Company, dated July 26, 2018</a>
99.2	<a href="#">Supplemental materials, dated July 26, 2018</a>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NCR Corporation

By: /s/ Robert Fishman  
Robert Fishman  
Executive Vice President and Chief Financial Officer

Date: July 26, 2018



July 26, 2018

## NCR Announces Second Quarter 2018 Results

ATLANTA - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended June 30, 2018. Second quarter highlights include:

- **Revenue of \$1.54 billion, down 4% as reported**
- **Software revenue up 1% driven by cloud revenue growth of 7%**
- **GAAP diluted EPS of \$(1.31); Non-GAAP diluted EPS of \$0.65**
- **Services revenue up 4% and gross margin expansion of 70 basis points**
- **Additional \$200 million share repurchase authorized**
- **Guidance reduced for full year 2018**

“Second quarter results were mixed and given current execution challenges we are lowering our full year outlook,” said Michael Hayford, President and Chief Executive Officer. “I spent my first ninety days engaging with customers and employees around the world and am excited about our long-term growth profile. We are taking a number of steps to address current challenges with the goal of accelerating our growth and driving improved utilization of our resources. We added new members to our executive leadership team and made other organizational changes that are focused on improving the quality and delivery of our solutions, simplifying our business, and putting a greater focus on customer voice and success.”

Hayford continued, “NCR’s business model is sound and is supported by our global scale and ability to power transactions across multiple attractive markets. We will continue to lead with compelling software and services offerings that drive competitive advantage, diversify our revenue streams, and develop customer loyalty, while streamlining our costs. Execution of this strategy and building upon our global leadership will best position NCR to deliver sustainable shareholder value creation. Our focus on innovation will continue, but in the near term our priority will be on resolving our execution challenges.”

In this release, we use certain non-GAAP measures, including presenting certain measures on a constant currency basis. These non-GAAP measures include free cash flow and others with the words “non-GAAP,” or “constant currency” in their titles. These non-GAAP measures are listed, described, and reconciled to their most directly comparable GAAP measures, under the heading “Non-GAAP Financial Measures” later in this release.

## Second Quarter 2018 Operating Results

### Revenue

Second quarter revenue of \$1.54 billion was down 4% year-over-year. Foreign currency fluctuations had a favorable impact on the revenue comparison of 1%.

The following table shows the revenue by segment for the second quarter:

\$ in millions	2018	2017	% Change	% Change Constant Currency
Software License	\$ 68	\$ 77	(12%)	(13%)
Software Maintenance	93	91	2%	1%
Cloud	155	145	7%	7%
Professional Services	154	151	2%	—%
<b>Software Revenue</b>	<b>\$ 470</b>	<b>\$ 464</b>	<b>1%</b>	<b>—%</b>
<b>Services Revenue</b>	<b>\$ 610</b>	<b>\$ 588</b>	<b>4%</b>	<b>3%</b>
ATM	\$ 180	\$ 227	(21%)	(22%)
SCO	99	96	3%	3%
POS	178	213	(16%)	(18%)
IPS	—	5	(100%)	(100%)
<b>Hardware Revenue</b>	<b>\$ 457</b>	<b>\$ 541</b>	<b>(16%)</b>	<b>(17%)</b>
<b>Total Revenue</b>	<b>\$ 1,537</b>	<b>\$ 1,593</b>	<b>(4%)</b>	<b>(5%)</b>

Software revenue was up 1% driven by cloud revenue growth of 7%. Software license revenue declined 12% primarily due to lower Hardware sales and unattached software licenses.

Services revenue was up 4% driven by hardware maintenance and implementation services growth, as well as continued momentum in managed service offerings.

Hardware revenue was down 16%. ATM revenue declined 21% primarily due to supply constraints related to higher than expected demand for new products. ATM orders increased for the second consecutive quarter, which is expected to drive improved revenue performance in the back half of the year. SCO revenue increased 3% due to the timing of customer roll-outs. POS revenue decreased 16% in the quarter compared to growth of 18% in the prior year, which benefited from several large customer roll-outs.

### Gross Margin

Second quarter gross margin of \$403 million was down from \$461 million in the prior year period. Gross margin rate was 26.2%, down from 28.9%. The decrease in gross margin was primarily due to \$41 million of costs incurred related to our restructuring and transformation initiatives. Second quarter gross margin (non-GAAP) of \$449 million was down from \$477 million in the prior year period. Gross margin rate (non-GAAP) was 29.2%, down from 29.9%. The decrease in gross margin (non-GAAP) was primarily due to lower software license and Hardware revenues, offset by continued focus on productivity improvements in our Services segment.

### *Expenses*

Second quarter operating expenses of \$509 million increased from \$286 million in the prior year period. The increase in operating expenses (GAAP) was primarily due to \$183 million of asset impairment charges described below and \$25 million of costs incurred related to restructuring and transformation initiatives. Second quarter operating expenses (non-GAAP) of \$284 million increased from \$265 million. The increase in operating expenses (non-GAAP) was due to continued investment in the business to improve execution.

### *Operating Income*

Second quarter loss from operations of \$106 million decreased from income from operations of \$175 million in the prior year period. The decrease in income from operations was primarily due to \$183 million of asset impairment charges described below and \$66 million of costs incurred related to restructuring and transformation initiatives. Second quarter operating income (non-GAAP) of \$165 million decreased from \$212 million. Operating income (non-GAAP) reflected lower software license and Hardware revenue and continued investment in the business, partially offset by continued Services margin expansion.

### *Other (Expense)*

Second quarter other (expense) and other (expense) (non-GAAP) of \$50 million increased from \$45 million compared to the prior year period.

### *Income Tax Expense*

Second quarter income tax benefit of \$12 million decreased from expense of \$33 million compared to the prior year period. The second quarter effective income tax rate was 8% compared to 25% in the prior year. Second quarter income tax expense (non-GAAP) of \$18 million decreased from \$45 million in the prior year period. The second quarter effective income tax rate (non-GAAP) was 16% compared to 27% in the prior year. Income tax expenses decreased due to lower income before taxes in the quarter, favorable audit settlements and the impact of U.S. Tax Reform.

### *Net Income from Continuing Operations Attributable to NCR*

Second quarter net loss from continuing operations attributable to NCR of \$143 million decreased from net income of \$97 million in the prior year period. Second quarter net income from continuing operations attributable to NCR (non-GAAP) of \$97 million decreased from \$122 million in the prior year.

### *Cash Flow*

Second quarter cash provided by operating activities of \$119 million increased from cash provided by operating activities of \$95 million in the prior year period. Free cash flow was \$27 million in the second quarter of 2018 as compared to \$18 million in the second quarter of 2017. The increases were due to working capital improvements, primarily in accounts receivable.

### **Non-Cash Charges**

In the second quarter of 2018, the Company recorded pre-tax asset impairment charges of approximately \$183 million due to expected lower operating performance of the Hardware business. These non-cash charges included a \$146 million pre-tax impairment of goodwill assigned to the Hardware operating segment, for which no goodwill remains after this impairment, and a \$37 million pre-tax impairment charge related to long-lived assets held and used in our Hardware operations.

## **Restructuring and Transformation Initiatives**

Our previously announced restructuring and transformation initiatives continue to progress on track. In Services, our Mission One performance and profit improvement program continues to deliver revenue growth and margin expansion. In Hardware, we are moving to a more variable cost structure by reducing the number of manufacturing plants and increasing the use of contract manufacturers. We will continue to manage our costs and seek to capture operational efficiencies, as part of the normal course of business.

As part of these initiatives, in the second quarter of 2018 we incurred a \$66 million pre-tax charge and \$22 million of cash payments. In the six months ended June 30, 2018, we incurred a \$82 million pre-tax charge and \$36 million of cash payments. Our outlook remains unchanged and we still expect to incur a pre-tax charge over the next two years in the range of approximately \$200 million to \$250 million, with \$100 million to \$150 million in 2018, which will be included in income from operations. The cash impact is still expected to be approximately \$150 million to \$200 million over the next two years, with \$100 million in 2018. We plan to achieve run-rate savings of approximately \$150 million per year by 2020. The estimate of the pre-tax charges and cash impact has been included in our 2018 GAAP diluted earnings per share and free cash flow guidance.

## **Share Repurchase Program**

NCR has repurchased shares of its common stock for approximately \$45 million in the second quarter and \$210 million in the first half of 2018 of the previously authorized \$300 million share repurchase program.

Additionally, on July 25, 2018, the Company's board of directors authorized an incremental \$200 million of share repurchases. The timing and amount of any repurchases under the program will depend upon market conditions and will be made at the Company's discretion. Repurchases under the program may be made from time to time in the open market, private transactions, accelerated stock repurchase programs, issuer self-tenders or otherwise, and may be discontinued at any time.

## **Full Year 2018 Outlook**

We are reducing our full year 2018 guidance. The execution challenges surrounding product introductions, including supply chain constraints, is negatively impacting our revenue and costs versus our previous expectations. We are focused on improving execution in the current year to benefit 2019. Foreign currency has negatively impacted our revenue guidance by approximately \$90 million and non-GAAP diluted earnings per share by approximately \$0.08 from the previous quarter guidance. We now expect revenue growth to be (1)% to (3)%, (previous guidance of 0% to 3%). In addition to foreign currency, we have experienced softness in our Hardware revenue and to a lesser extent in our Software business, primarily due to execution challenges. Our view of ATM revenue growth is unchanged at roughly flat for the year and is supported by strong backlog.

GAAP diluted earnings per share is now expected to be \$0.07 to \$0.65 (previous guidance of \$2.08 to \$2.48), and non-GAAP diluted earnings per share to be \$2.55 to \$2.75 (previous guidance of \$3.30 to \$3.45). The decreases in diluted earnings per share is due to lower revenue, decreased gross margin rates in our Hardware business and continued investment to improve our execution. GAAP diluted earnings per share has also been impacted by the asset impairment charges described above. Non-GAAP diluted earnings per share guidance assumes an effective tax rate of 23% for 2018 compared to 25% in 2017. The decrease is due to the expected impact of U.S. Tax Reform. Free cash flow is now expected to be \$300 million to \$350 million or approximately 80% - 90% of non-GAAP net income.

We expect approximately two-thirds of the full year decrease in non-GAAP diluted earnings per share guidance to impact the third quarter of 2018. We expect costs and expenses to be higher in the third quarter as we address our execution and supply challenges. Revenue is expected to be higher in the fourth quarter as the supply constraints are resolved and the higher backlog converts to revenue.

## **2018 Second Quarter Earnings Conference Call**

A conference call is scheduled for today at 4:30 p.m. (EDT) to discuss the second quarter 2018 results and guidance for full year 2018. Access to the conference call and accompanying slides, as well as a replay of the call, are available on NCR's web site at <http://investor.ncr.com/>. Additionally, the live call can be accessed by dialing 888-820-9413 (United States/Canada Toll-free) or 786-460-7169 (International Toll) and entering the participant passcode 9669386.

More information on NCR's Q2 2018 earnings, including additional financial information and analysis, is available on NCR's Investor Relations website at <http://investor.ncr.com/>.

### **About NCR Corporation**

NCR Corporation (NYSE: NCR) is a leader in omni-channel solutions, turning everyday interactions with businesses into exceptional experiences. With its software, hardware, and portfolio of services, NCR enables nearly 700 million transactions daily across financial, retail, hospitality, travel, telecom and technology industries. NCR solutions run the everyday transactions that make your life easier. NCR is headquartered in Atlanta, Ga., with about 30,000 employees and does business in 180 countries. NCR is a trademark of NCR Corporation in the United States and other countries. NCR encourages investors to visit its website which is updated regularly with financial and other important information about NCR.

Website: [www.ncr.com](http://www.ncr.com)

Twitter: @NCRCorporation

Facebook: [www.facebook.com/ncrcorp](http://www.facebook.com/ncrcorp)

LinkedIn: <https://www.linkedin.com/company/ncr-corporation>

YouTube: [www.youtube.com/user/ncrcorporation](http://www.youtube.com/user/ncrcorporation)

### **News Media Contact**

Scott Sykes

NCR Corporation

212.589.8428

[scott.sykes@ncr.com](mailto:scott.sykes@ncr.com)

### **Investor Contact**

Michael Nelson

NCR Corporation

678.808.6995

[michael.nelson@ncr.com](mailto:michael.nelson@ncr.com)



**Note to Investors** This release contains forward-looking statements. Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “plan,” “believe,” “will,” “should,” “would,” “could,” and words of similar meaning. Statements that describe or relate to NCR’s plans, goals, intentions, strategies, or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in this release include statements about NCR’s plans for further share repurchases; NCR’s revised financial guidance and outlook (including the sections entitled “Full Year 2018 Outlook” and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR’s execution challenges and execution strategy; NCR’s expected areas of focus to drive growth and create long-term shareholder value; NCR’s software and services offerings; NCR’s plans to diversify revenue and streamline costs; NCR’s global leadership; expectations regarding ATM revenues and overall revenue in the second half of 2018; expectations for accelerating recurring revenue; NCR’s expected free cash flow generation and capital allocation strategy; and expected impact of NCR’s previously announced restructuring and transformation activities. Forward-looking statements are based on our current beliefs, expectations and assumptions, which may not prove to be accurate, and involve a number of known and unknown risks and uncertainties, many of which are out of NCR’s control. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors relating to: the strength of demand for ATMs and other financial services hardware and its effect on the results of our businesses and reportable segments; domestic and global economic and credit conditions including, in particular, those resulting from the imposition or threat of protectionist trade policies or import or export tariffs, global and regional market conditions and spending trends in the financial services and retail industries, new comprehensive U.S. tax legislation, modified or new global or regional trade agreements, the determination by the United Kingdom to exit the European Union, uncertainty over further potential changes in Eurozone participation and fluctuations in oil and commodity prices; the transformation of our business model and our ability to sell higher-margin software and services; our ability to improve execution in our sales and services organizations; our ability to successfully introduce new solutions and compete in the information technology industry; cybersecurity risks and compliance with data privacy and protection requirements; the possibility of disruptions in or problems with our data center hosting facilities; defects or errors in our products; the impact of our indebtedness and its terms on our financial and operating activities; the historical seasonality of our sales; tax rates and new US tax legislation; foreign currency fluctuations; the success of our restructuring plans and cost reduction initiatives, including those in our Hardware segment; manufacturing disruptions, including those caused by or related to outsourced manufacturing; the availability and success of acquisitions, divestitures and alliances; our pension strategy and underfunded pension obligation; reliance on third party suppliers; the impact of the terms of our strategic relationship with Blackstone and our Series A Convertible Preferred Stock; our multinational operations, including in new and emerging markets; collectability difficulties in subcontracting relationships in certain geographical markets; development and protection of intellectual property; workforce turnover and the ability to attract and retain skilled employees; uncertainties or delays associated with the transition of key business leaders; environmental exposures from our historical and ongoing manufacturing activities; and uncertainties with regard to regulations, lawsuits, claims, and other matters across various jurisdictions. Additional information concerning these and other factors can be found in the Company’s filings with the U.S. Securities and Exchange Commission, including the Company’s most recent annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made. The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## Non-GAAP Financial Measures

*Non-GAAP Financial Measures.* While NCR reports its results in accordance with Generally Accepted Accounting Principles in the United States, or GAAP, in this release NCR also uses the non-GAAP measures listed and described below.

*Non-GAAP Diluted Earnings Per Share (EPS), Gross Margin (non-GAAP), Gross Margin Rate (non-GAAP), Operating Expenses (non-GAAP), Operating Income (non-GAAP), Operating Margin Rate (non-GAAP), Other (Expense) (non-GAAP), Income Tax Expense (non-GAAP), Effective Income Tax Rate (non-GAAP), and Net Income from Continuing Operations Attributable to NCR (non-GAAP).* NCR's non-GAAP diluted EPS, gross margin (non-GAAP), gross margin rate (non-GAAP), operating expenses (non-GAAP), operating income (non-GAAP), operating margin rate (non-GAAP), other (expense) (non-GAAP), income tax expense (non-GAAP), effective income tax rate (non-GAAP), and net income from continuing operations attributable to NCR (non-GAAP) are determined by excluding, as applicable, pension mark-to-market adjustments, pension settlements, pension curtailments and pension special termination benefits and other special items, including amortization of acquisition related intangibles, from NCR's GAAP earnings per share, gross margin, gross margin rate, expenses, income from operations, operating margin rate, other (expense), income tax expense, effective income tax rate and net income from continuing operations attributable to NCR, respectively. Due to the non-operational nature of these pension and other special items, NCR's management uses these non-GAAP measures to evaluate year-over-year operating performance. NCR also uses operating income (non-GAAP) and diluted EPS (non-GAAP), to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes these measures are useful for investors because they provide a more complete understanding of NCR's underlying operational performance, as well as consistency and comparability with NCR's past reports of financial results.

*Free Cash Flow and Free Cash Flow as a Percentage of Non-GAAP Net Income (or Free Cash Flow Conversion Rate).* NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and pension settlements. NCR's management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures, which can be used for, among other things, investment in the Company's existing businesses, strategic acquisitions, strengthening the Company's balance sheet, repurchase of Company stock and repayment of the Company's debt obligations. Free cash flow does not represent the residual cash flow available for discretionary expenditures since there may be other nondiscretionary expenditures that are not deducted from the measure. NCR also describes the ratio of free cash flow to non-GAAP net income (or free cash flow conversion rate), which is calculated as free cash flow divided by non-GAAP net income. NCR's management targets an annual free cash flow conversion rate at or above the range described in this release because management believes that a conversion rate at or above that range represents the efficient conversion of non-GAAP net income to free cash flow for its business. Free cash flow and free cash flow conversion rate do not have uniform definitions under GAAP and, therefore, NCR's definitions may differ from other companies' definitions of these measures.

*Constant Currency.* NCR presents certain financial measures, such as period-over-period revenue growth, on a constant currency basis, which excludes the effects of foreign currency translation by translating prior period results at current period monthly average exchange rates. Due to the overall variability of foreign exchange rates from period to period, NCR's management uses constant currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. NCR's management believes that presentation of financial measures without this result is more representative of the company's period-over-period operating performance, and provides additional insight into historical and/or future performance, which may be helpful for investors.

NCR's definitions and calculations of these non-GAAP measures may differ from similarly-titled measures reported by other companies and cannot, therefore, be compared with similarly-titled measures of other companies. These non-GAAP measures should not be considered as substitutes for, or superior to, results determined in accordance with GAAP. These non-GAAP measures are reconciled to their most directly comparable GAAP measures in the tables below.

**Reconciliation of Gross Margin (GAAP) to Gross Margin (non-GAAP)**

\$ in millions	Q2 2018		Q2 2017	
<b>Gross Margin (GAAP)</b>	\$	403	\$	461
Transformation & Restructuring costs		41		4
Acquisition-related amortization of intangibles		5		12
<b>Gross Margin (Non-GAAP)</b>	\$	449	\$	477

**Reconciliation of Gross Margin Rate (GAAP) to Gross Margin Rate (non-GAAP)**

	Q2 2018		Q2 2017	
<b>Gross Margin Rate (GAAP)</b>		26.2%		28.9%
Transformation and Restructuring costs		2.7%		0.3%
Acquisition-related amortization of intangibles		0.3%		0.7%
<b>Gross Margin Rate (Non-GAAP)</b>		29.2%		29.9%

**Reconciliation of Operating Expenses (GAAP) to Operating Expenses (non-GAAP)**

\$ in millions	Q2 2018		Q2 2017	
<b>Operating Expenses (GAAP)</b>	\$	509	\$	286
Transformation and Restructuring costs		(25)		(4)
Asset impairment charges		(183)		—
Acquisition-related amortization of intangibles		(16)		(16)
Acquisition-related costs		(1)		(1)
<b>Operating Expenses (Non-GAAP)</b>	\$	284	\$	265

**Reconciliation of Income from Operations (GAAP) to Operating Income (non-GAAP)**

\$ in millions	Q2 2018		Q2 2017	
<b>(Loss) Income from Operations (GAAP)</b>	\$	(106)	\$	175
Transformation and Restructuring costs		66		8
Asset impairment charges		183		—
Acquisition-related amortization of intangibles		21		28
Acquisition-related costs		1		1
<b>Operating Income (Non-GAAP)</b>	\$	165	\$	212

**Reconciliation of Income Tax Expense (GAAP) to Income Tax Expense (non-GAAP)**

\$ in millions	Q2 2018		Q2 2017	
<b>Income Tax (Benefit) Expense (GAAP)</b>	\$	(12)	\$	33
Transformation and Restructuring costs		16		2
Asset impairment charges		8		—
Acquisition-related amortization of intangibles		4		9
Acquisition-related costs		—		1
Impact of U.S. tax reform		2		—
<b>Income Tax Expense (Non-GAAP)</b>	\$	18	\$	45

**Reconciliation of Net Income (Loss) from Continuing Operations Attributable to NCR (GAAP) to  
Net Income from Continuing Operations Attributable to NCR (non-GAAP)**

\$ in millions	Q2 2018	Q2 2017
<b>Net (Loss) Income from Continuing Operations Attributable to NCR (GAAP)</b>	<b>\$ (143)</b>	<b>\$ 97</b>
Transformation and Restructuring costs	50	6
Asset impairment charges	174	—
Acquisition-related amortization of intangibles	17	19
Acquisition-related costs	1	—
Impact of U.S. tax reform	(2)	—
<b>Net Income from Continuing Operations Attributable to NCR (Non-GAAP)</b>	<b>\$ 97</b>	<b>\$ 122</b>

**Reconciliation of Diluted Earnings (Loss) Per Share (GAAP) to Non-GAAP Diluted Earnings Per Share (non-GAAP)**

	Q2 2018 Actual	Q2 2017 Actual	Current FY 2018 Guidance <sup>(2)</sup>	Prior FY 2018 Guidance <sup>(2)</sup>
<b>Diluted Earnings (Loss) Per Share (GAAP) <sup>(1)</sup></b>	<b>\$ (1.31)</b>	<b>\$ 0.64</b>	<b>\$0.07- \$0.65</b>	<b>\$2.08 - \$2.48</b>
Transformation & Restructuring costs	0.34	0.04	0.50 - 0.75	0.50 - 0.75
Asset impairment charges	1.17	—	1.16	—
Acquisition-related amortization of intangibles	0.11	0.12	0.42	0.42
Acquisition-related costs	0.01	—	0.05	0.05
Impact of U.S. tax reform	(0.01)	—	—	—
<b>Diluted Earnings Per Share (non-GAAP) <sup>(1)</sup></b>	<b>\$ 0.65</b>	<b>\$ 0.80</b>	<b>\$2.55- \$2.75</b>	<b>\$3.30 - \$3.45</b>

<sup>(1)</sup> Non-GAAP diluted EPS is determined using the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of weighted average diluted shares outstanding. GAAP EPS is determined using the most dilutive measure, either including the impact of dividends or deemed dividends on the Company's Series A Convertible Preferred Stock in the calculation of net income or loss available to common stockholders or including the impact of the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may not mathematically reconcile.

<sup>(2)</sup> Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, pension mark-to-market adjustments, taxes or other events, which are difficult to predict and may or may not be significant.

**Reconciliation of Net Cash Provided by Operating Activities (GAAP) to Free Cash Flow (non-GAAP)**

\$ in millions	Q2 2018 QTD	Q2 2017 QTD	Current 2018 Guidance
<b>Net cash provided by operating activities</b>	<b>\$ 119</b>	<b>\$ 95</b>	<b>\$690 - \$720</b>
Total capital expenditures	(85)	(75)	(330) - (350)
Net cash used in discontinued operations	(7)	(2)	(40)
<b>Free cash inflow</b>	<b>\$ 27</b>	<b>\$ 18</b>	<b>\$300 - \$350</b>

Note: Capital expenditures in Q2 2018 and Q2 2017 included \$22 million and \$16 million, respectively, related to our new world headquarters. Net cash provided by operating activities in Q2 2018 and Q2 2017 included \$14 million and \$22 million, respectively, of reimbursement from the landlord.

**Reconciliation of Revenue Growth % (GAAP) to  
Revenue Growth Constant Currency % (non-GAAP)**

Three months ended June 30, 2018

	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)
Software License	(12)%	1%	(13)%
Software Maintenance	2%	1%	1%
Cloud	7%	—%	7%
Professional Services	2%	2%	—%
Software	1%	1%	—%
Services	4%	1%	3%
ATMs	(21)%	1%	(22)%
SCO	3%	—%	3%
POS	(16)%	2%	(18)%
IPS	(100)%	—%	(100)%
Hardware	(16)%	1%	(17)%
Total Revenue	(4)%	1%	(5)%

**NCR CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(in millions, except per share amounts)

	For the Periods Ended June 30			
	Three Months		Six Months	
	2018	2017	2018	2017
<b>Revenue</b>				
Products	\$ 525	\$ 618	\$ 1,051	\$ 1,172
Services	1,012	975	2,003	1,899
<b>Total Revenue</b>	<b>1,537</b>	<b>1,593</b>	<b>3,054</b>	<b>3,071</b>
Cost of products	451	478	871	902
Cost of services	683	654	1,360	1,296
<b>Total gross margin</b>	<b>403</b>	<b>461</b>	<b>823</b>	<b>873</b>
<i>% of Revenue</i>	<i>26.2 %</i>	<i>28.9%</i>	<i>26.9 %</i>	<i>28.4%</i>
Selling, general and administrative expenses	261	228	506	458
Research and development expenses	65	58	131	125
Asset impairment charges	183	—	183	—
<b>(Loss) Income from operations</b>	<b>(106)</b>	<b>175</b>	<b>3</b>	<b>290</b>
<i>% of Revenue</i>	<i>(6.9)%</i>	<i>11.0%</i>	<i>0.1 %</i>	<i>9.4%</i>
Interest expense	(41)	(41)	(82)	(80)
Other (expense), net	(9)	(4)	(14)	(9)
Total other (expense), net	(50)	(45)	(96)	(89)
<b>(Loss) Income before income taxes and discontinued operations</b>	<b>(156)</b>	<b>130</b>	<b>(93)</b>	<b>201</b>
<i>% of Revenue</i>	<i>(10.1)%</i>	<i>8.2%</i>	<i>(3.0)%</i>	<i>6.5%</i>
Income tax (benefit) expense	(12)	33	(5)	47
<b>(Loss) Income from continuing operations</b>	<b>(144)</b>	<b>97</b>	<b>(88)</b>	<b>154</b>
(Loss) Income from discontinued operations, net of tax	(2)	5	(37)	5
<b>Net (loss) income</b>	<b>(146)</b>	<b>102</b>	<b>(125)</b>	<b>159</b>
Net loss attributable to noncontrolling interests	(1)	—	—	—
<b>Net (loss) income attributable to NCR</b>	<b>\$ (145)</b>	<b>\$ 102</b>	<b>\$ (125)</b>	<b>\$ 159</b>
<b>Amounts attributable to NCR common stockholders:</b>				
(Loss) income from continuing operations	\$ (143)	\$ 97	\$ (88)	\$ 154
Dividends on convertible preferred stock	(12)	(12)	(24)	(24)
Deemed dividend on modification of convertible preferred stock	—	—	—	(4)
Deemed dividend on convertible preferred shares related to redemption	—	—	—	(58)
Net (loss) income from continuing operations attributable to NCR common stockholders	(155)	85	(112)	68
(Loss) income from discontinued operations, net of tax	(2)	5	(37)	5
Net (loss) income attributable to NCR common stockholders	\$ (157)	\$ 90	\$ (149)	\$ 73
<b>Net (loss) income per share attributable to NCR common stockholders:</b>				
<b>Net (loss) income per common share from continuing operations</b>				
Basic	\$ (1.31)	\$ 0.70	\$ (0.94)	\$ 0.56
Diluted	\$ (1.31)	\$ 0.64	\$ (0.94)	\$ 0.53
<b>Net (loss) income per common share</b>				
Basic	\$ (1.33)	\$ 0.74	\$ (1.26)	\$ 0.60
Diluted	\$ (1.33)	\$ 0.67	\$ (1.26)	\$ 0.57
<b>Weighted average common shares outstanding</b>				
Basic	117.9	121.4	118.6	122.1
Diluted	117.9	152.7	118.6	127.2

<sup>(1)</sup> Diluted EPS is determined using the most dilutive measure, either including the impact of the dividends and deemed dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss per common share from continuing operations and net income or loss per common share or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding.



**NCR CORPORATION**  
**REVENUE AND OPERATING INCOME SUMMARY**  
(Unaudited)  
(in millions)

Schedule B

For the Periods Ended June 30

	Three Months				Six Months			
	2018	2017	% Change	% Change Constant Currency	2018	2017	% Change	% Change Constant Currency
<b>Revenue by segment</b>								
Software	\$ 470	\$ 464	1%	—%	\$ 930	\$ 916	2%	—%
<i>Software Gross Margin Rate</i>	47.4 %	48.9%			47.6 %	50.1%		
Services	610	588	4%	3%	1,211	1,145	6%	3%
<i>Services Gross Margin Rate</i>	25.9 %	25.2%			24.9 %	23.5%		
Hardware	457	541	(16)%	(17)%	913	1,010	(10)%	(12)%
<i>Hardware Gross Margin Rate</i>	14.9 %	18.9%			14.8 %	17.8%		
<b>Total Revenue</b>	<b>\$ 1,537</b>	<b>\$ 1,593</b>	<b>(4)%</b>	<b>(5)%</b>	<b>\$ 3,054</b>	<b>\$ 3,071</b>	<b>(1)%</b>	<b>(3)%</b>
<i>Gross Margin Rate</i>	29.2 %	29.9%			28.8 %	29.6%		
<b>Operating income by segment</b>								
Software	\$ 115	\$ 127			\$ 224	\$ 251		
<i>% of Revenue</i>	24.5 %	27.4%			24.1 %	27.4%		
Services	77	74			139	118		
<i>% of Revenue</i>	12.6 %	12.6%			11.5 %	10.3%		
Hardware	(27)	11			(50)	1		
<i>% of Revenue</i>	(5.9)%	2.0%			(5.5)%	0.1%		
<b>Subtotal-segment operating income</b>	<b>\$ 165</b>	<b>\$ 212</b>			<b>\$ 313</b>	<b>\$ 370</b>		
<i>% of Revenue</i>	10.7 %	13.3%			10.2 %	12.0%		
Other adjustments <sup>(1)</sup>	271	37			310	80		
<b>Total income (loss) from operations</b>	<b>\$ (106)</b>	<b>\$ 175</b>			<b>\$ 3</b>	<b>\$ 290</b>		

<sup>(1)</sup> The following table presents the other adjustments for NCR:

In millions	For the Periods Ended June 30			
	Three Months		Six Months	
	2018	2017	2018	2017
Transformation and restructuring costs	\$ 66	\$ 8	\$ 82	\$ 21
Asset impairment charges	183	—	183	—
Acquisition-related amortization of intangible assets	21	28	44	57
Acquisition-related costs	1	1	1	2
<b>Total other adjustments</b>	<b>\$ 271</b>	<b>\$ 37</b>	<b>\$ 310</b>	<b>\$ 80</b>



**NCR CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
(in millions, except per share amounts)

Schedule C

	June 30, 2018	March 31, 2018	December 31, 2017
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 343	\$ 348	\$ 537
Accounts receivable, net	1,272	1,338	1,270
Inventories	842	822	780
Other current assets	282	283	243
<b>Total current assets</b>	<b>2,739</b>	<b>2,791</b>	<b>2,830</b>
Property, plant and equipment, net	326	338	341
Goodwill	2,590	2,746	2,741
Intangibles, net	517	556	578
Prepaid pension cost	127	129	118
Deferred income taxes	472	474	460
Other assets	593	607	586
<b>Total assets</b>	<b>\$ 7,364</b>	<b>\$ 7,641</b>	<b>\$ 7,654</b>
<b>Liabilities and stockholders' equity</b>			
Current liabilities			
Short-term borrowings	\$ 160	\$ 34	\$ 52
Accounts payable	711	697	762
Payroll and benefits liabilities	229	190	219
Contract liabilities	469	538	458
Other current liabilities	310	385	398
<b>Total current liabilities</b>	<b>1,879</b>	<b>1,844</b>	<b>1,889</b>
Long-term debt	2,952	3,038	2,939
Pension and indemnity plan liabilities	796	810	798
Postretirement and postemployment benefits liabilities	132	133	133
Income tax accruals	127	131	148
Other liabilities	258	245	200
<b>Total liabilities</b>	<b>6,144</b>	<b>6,201</b>	<b>6,107</b>
Redeemable noncontrolling interests	12	16	15
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.8 shares issued and outstanding as of June 30, 2018, March 31, 2018 and December 31, 2017	834	822	810
<b>Stockholders' equity</b>			
NCR stockholders' equity:			
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of June 30, 2018, March 31, 2018 and December 31, 2017	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 117.7, 118.3 and 122.0 shares issued and outstanding as of June 30, 2018, March 31, 2018 and December 31, 2017	1	1	1
Paid-in capital	—	—	60
Retained earnings	594	782	857
Accumulated other comprehensive loss	(224)	(184)	(199)
<b>Total NCR stockholders' equity</b>	<b>371</b>	<b>599</b>	<b>719</b>
Noncontrolling interests in subsidiaries	3	3	3
<b>Total stockholders' equity</b>	<b>374</b>	<b>602</b>	<b>722</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,364</b>	<b>\$ 7,641</b>	<b>\$ 7,654</b>



**NCR CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(in millions)

	For the Periods Ended June 30			
	Three Months		Six Months	
	2018	2017	2018	2017
<b>Operating activities</b>				
Net (loss) income	\$ (146)	\$ 102	\$ (125)	\$ 159
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Loss (income) from discontinued operations	2	(5)	37	(5)
Depreciation and amortization	85	87	171	172
Stock-based compensation expense	26	22	40	41
Deferred income taxes	(3)	7	1	4
Gain on sale of property, plant and equipment and other assets	—	(1)	—	(1)
Impairment of long-lived and other assets	193	—	193	—
Changes in assets and liabilities:				
Receivables	73	(11)	(41)	(28)
Inventories	(46)	(25)	(88)	(126)
Current payables and accrued expenses	20	(11)	(57)	(93)
Contract liabilities	(75)	(46)	—	50
Employee benefit plans	(5)	(9)	(8)	(6)
Other assets and liabilities	(5)	(15)	(28)	(33)
<b>Net cash provided by operating activities</b>	<b>119</b>	<b>95</b>	<b>95</b>	<b>134</b>
<b>Investing activities</b>				
Expenditures for property, plant and equipment	(41)	(32)	(70)	(43)
Additions to capitalized software	(44)	(43)	(86)	(84)
Other investing activities, net	—	1	(3)	—
<b>Net cash used in investing activities</b>	<b>(85)</b>	<b>(74)</b>	<b>(159)</b>	<b>(127)</b>
<b>Financing activities</b>				
Short term borrowings, net	3	10	2	13
Payments on term credit facilities	—	(14)	(34)	(25)
Payments on revolving credit facilities	(515)	(420)	(1,013)	(615)
Borrowings on revolving credit facilities	550	375	1,163	855
Repurchases of Company common stock	(45)	—	(210)	(350)
Proceeds from employee stock plans	6	5	11	8
Tax withholding payments on behalf of employees	(18)	(2)	(29)	(24)
Other financing activities	—	(1)	—	(1)
<b>Net cash used in financing activities</b>	<b>(19)</b>	<b>(47)</b>	<b>(110)</b>	<b>(139)</b>
<b>Cash flows from discontinued operations</b>				
Net cash used in discontinued operations	(7)	(2)	(11)	(5)
Effect of exchange rate changes on cash and cash equivalents	(13)	4	(8)	12
<b>Decrease in cash, cash equivalents, and restricted cash</b>	<b>(5)</b>	<b>(24)</b>	<b>(193)</b>	<b>(125)</b>
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	<b>355</b>	<b>406</b>	<b>543</b>	<b>507</b>
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 350</b>	<b>\$ 382</b>	<b>\$ 350</b>	<b>\$ 382</b>

# Q2 2018 EARNINGS CONFERENCE CALL

**MICHAEL HAYFORD, PRESIDENT & CEO**  
**BOB FISHMAN, CFO**

July 26, 2018



NCR Confidential

# NOTES TO INVESTORS

**FORWARD-LOOKING STATEMENTS.** Comments made during this conference call and in these materials contain forward-looking statements. Statements that describe or relate to NCR's plans, goals, intentions, strategies, or financial outlook, and statements that do not relate to historical or current fact, are examples of forward-looking statements. The forward-looking statements in these materials include statements about NCR's revised full year 2018 financial guidance and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's manufacturing network redesign; NCR's cloud revenue momentum; NCR's Mission One (M1) Services initiative and its expected benefits on NCR's services margin profile; expectations regarding ATM orders driving revenue in the back half of the year; NCR's expected areas of focus to drive growth and create long-term shareholder value; targeted mergers and acquisitions, expectations for accelerating recurring revenue; and NCR's expected free cash flow generation and capital allocation strategy. Forward-looking statements are not guarantees of future performance, and there are a number of important factors that could cause actual outcomes and results to differ materially from the results contemplated by such forward-looking statements, including those factors listed in Item 1a "Risk Factors" of NCR's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on February 26, 2018, and those factors detailed from time to time in NCR's other SEC reports. These materials are dated July 26, 2018, and NCR does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**NON-GAAP MEASURES.** While NCR reports its results in accordance with generally accepted accounting principles in the United States (GAAP), comments made during this conference call and in these materials will include or make reference to certain "non-GAAP" measures, including: selected measures, such as period-over-period revenue growth, expressed on a constant currency basis, gross margin rate (non-GAAP), diluted earnings per share (non-GAAP), free cash flow (FCF), gross margin (non-GAAP), free cash flow as a percentage of non-GAAP net income (or free cash flow conversion rate), net debt, adjusted EBITDA, the ratio of net debt to adjusted EBITDA, operating expenses (non-GAAP), operating income (non-GAAP), interest and other expense (non-GAAP), income tax expense (non-GAAP), effective income tax rate (non-GAAP), and net income (non-GAAP). These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures. Explanations of these non-GAAP measures, and reconciliations of these non-GAAP measures to their directly comparable GAAP measures, are included in the accompanying "Supplementary Materials" and are available on the Investor Relations page of NCR's website at [www.ncr.com](http://www.ncr.com). Descriptions of many of these non-GAAP measures are also included in NCR's SEC reports.

**USE OF CERTAIN TERMS.** As used in these materials, (i) the term "recurring revenue" means the sum of cloud, hardware maintenance and software maintenance revenue, (ii) the term "net annual contract value" or "net ACV" for any particular period means NCR's net bookings for cloud revenue during the period, and is calculated as twelve months of expected subscription revenues under new cloud contracts during such period less twelve months of subscription revenues under cloud contracts that expired or were terminated during such period, adjusted for twelve months of expected pricing discounts or price increases from renewals of existing contracts, and (iii) the term "CC" means constant currency.

These presentation materials and the associated remarks made during this conference call are integrally related and are intended to be presented and understood together.

# EARLY OBSERVATIONS

- **VALUE** of the NCR Brand
- Important **CUSTOMER RELATIONSHIPS** all over the world
- Well **ESTABLISHED** global sales distribution network
- Dedicated **EMPLOYEES** that enable NCR to succeed



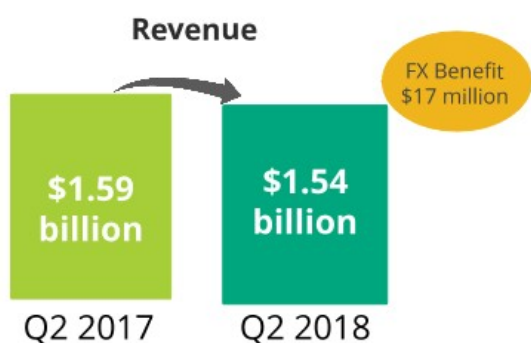
# TOP PRIORITIES



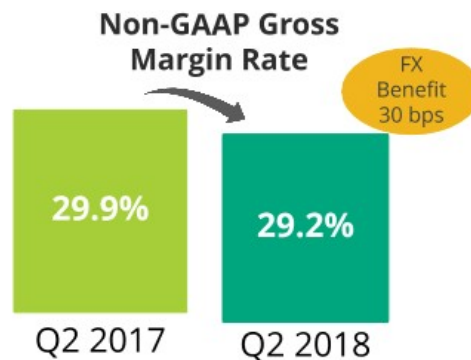
## Create long-term shareholder value

- Maintain focus on cost efficiencies
- Reallocate cash investments to highest growth opportunities
- Drive higher recurring revenue and better predictability
- Grow free cash flow, share repurchase and targeted product M&A and selected partnerships
- Investor Day November 7<sup>th</sup>

# Q2 2018 FINANCIAL RESULTS



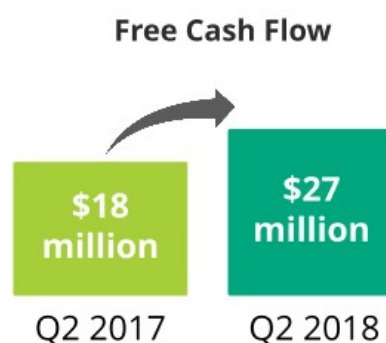
Revenue down 4% as reported and down 5% CC; Recurring revenue up 4%, 48% of total revenue



Non-GAAP gross margin rate down 70 bps as reported and down 100 bps CC



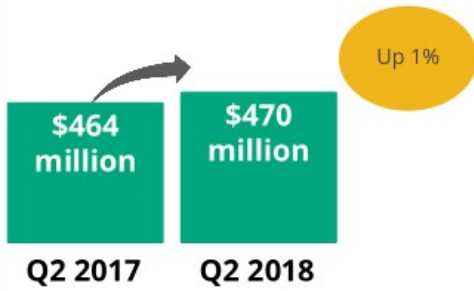
Non-GAAP Diluted EPS down 19% as reported and 20% CC



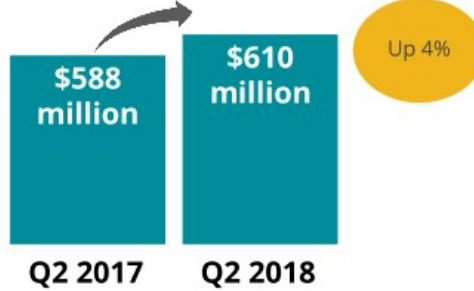
Free Cash Flow up due to working capital improvements

# Q2 2018 SEGMENT RESULTS

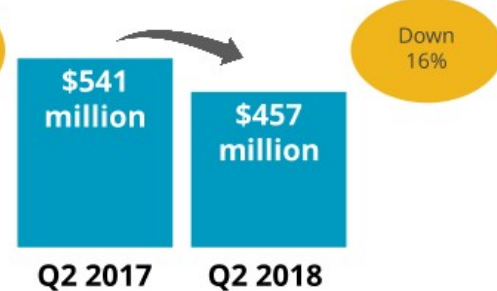
## Software Revenue



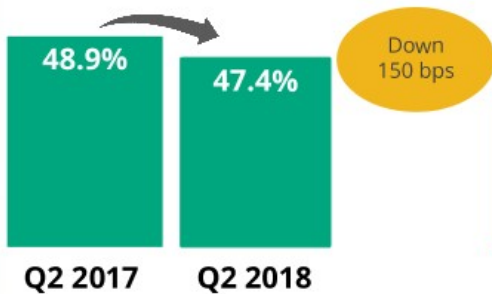
## Services Revenue



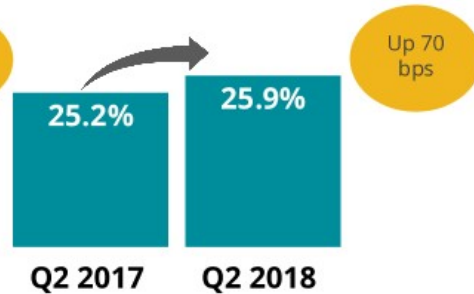
## Hardware Revenue



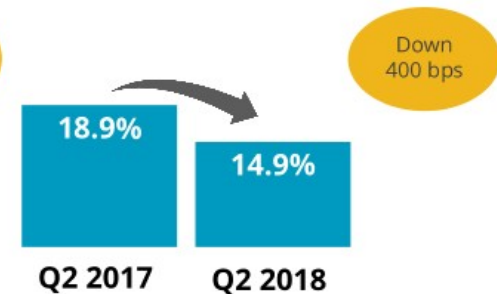
## Software Gross Margin



## Services Gross Margin



## Hardware Gross Margin



# SOFTWARE

Q2 2018 Update

	Q2 2018	Q2 2017	% Change	% Change Constant Currency
Software License	\$68	\$77	(12)%	(13)%
<i>Attached License</i>	23	27	(15)%	(17)%
<i>Unattached License</i>	45	50	(10)%	(10)%
Software Maintenance	93	91	2%	1%
Cloud	155	145	7%	7%
Professional Services	154	151	2%	—%
<b>Software Revenue</b>	<b>\$470</b>	<b>\$464</b>	<b>1%</b>	<b>—%</b>
<b>Software Gross Margin</b>	<b>\$223</b>	<b>\$227</b>	<b>(2)%</b>	<b>(3)%</b>
Software Gross Margin Rate	47.4%	48.9%	(150) bps	(150) bps
<b>Operating Income</b>	<b>\$115</b>	<b>\$127</b>	<b>(9)%</b>	<b>(10)%</b>
Operating Income as a % of Revenue	24.5%	27.4%	(290) bps	(280) bps

## KEY HIGHLIGHTS

\$ in millions

- Cloud revenue up 7%; Net ACV of \$14M indicating continued growth
- Software License down 12% primarily due to lower hardware sales and unattached software licenses
- Operating income down driven by lower Software License revenue and continued investment partially offset by Cloud and Software Maintenance margin expansion.



# SERVICES

Q2 2018 Update

	Q2 2018	Q2 2017	% Change	% Change Constant Currency
Services Revenue	\$610	\$588	4%	3%
Services Gross Margin	\$158	\$148	7%	7%
Services Gross Margin Rate	25.9%	25.2%	+70 bps	+100 bps
Operating Income	\$77	\$74	4%	7%
Operating Income as a % of Revenue	12.6%	12.6%	— bps	+40 bps

\$ in millions

## KEY HIGHLIGHTS

- Increase in revenue driven by hardware maintenance and implementation services as a result of continued momentum in managed service offerings and channel transformation trends.
- Increased wallet share from the current install base driven by improved customer satisfaction
- Operating income increased due to sustainable improvements achieved through Mission One (M1) initiative offset by continued investment
- M1 initiative is a performance and profit improvement program focused on transforming NCR's services margin profile through: 1) Productivity and efficiency improvements; 2) Remote diagnostics and repair; 3) Product life-cycle management; and 4) A higher mix of managed services

# HARDWARE

Q2 2018 Update

	Q2 2018	Q2 2017	% Change	% Change Constant Currency
ATMs	\$180	\$227	(21)%	(22)%
Self-Checkout (SCO)	99	96	3%	3%
Point-of-Sale (POS)	178	213	(16)%	(18)%
Interactive Printer Solutions (IPS)	—	5	(100)%	(100)%
<b>Hardware Revenue</b>	<b>\$457</b>	<b>\$541</b>	<b>(16)%</b>	<b>(17)%</b>
<b>Hardware Gross Margin</b>	<b>\$68</b>	<b>\$102</b>	<b>(33)%</b>	<b>(37)%</b>
Hardware Gross Margin Rate	14.9%	18.9%	(400) bps	(500) bps
<b>Operating Income</b>	<b>(\$27)</b>	<b>\$11</b>	<b>(345)%</b>	<b>(264)%</b>
Operating Income as a % of Revenue	(5.9%)	2.0%	(790) bps	(890) bps

\$ in millions

## KEY HIGHLIGHTS

- ATM revenue down due to supply constraints related to higher demand for new products; ATM orders increased for the second consecutive quarter, which is expected to drive improved revenue performance in the back half of the year
- SCO revenue up due to timing of customer roll-outs
- POS revenues down compared to growth of 18% in the prior year which benefited from several large customer roll-outs
- Operating income decreased due to lower Hardware revenue and unfavorable product mix
- Manufacturing network redesign progressing as planned

# FREE CASH FLOW, NET DEBT & EBITDA

Free Cash Flow	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Cash Provided by Operating Activities	\$119	\$95	\$95	\$134
Total capital expenditures <sup>(1)</sup>	(85)	(75)	(156)	(127)
Cash used in Discontinued Operations	(7)	(2)	(11)	(5)
<b>Free Cash Flow</b>	<b>\$27</b>	<b>\$18</b>	<b>(\$72)</b>	<b>\$2</b>

\$ in millions

<sup>(1)</sup> Capital expenditures in Q2 2018 and Q2 2017 included \$22 million and \$16 million, respectively related to our new world headquarters. Cash provided by Operating Activities in Q2 2018 and Q2 2017 included \$14 million and \$22 million, respectively, of reimbursement from the landlord.

Net Debt & EBITDA	Q2 2018	Q2 2017
Debt	\$3,112	\$3,282
Cash	(343)	(377)
<b>Net Debt</b>	<b>\$2,769</b>	<b>\$2,905</b>
<b>Adjusted EBITDA <sup>(2)</sup></b>	<b>\$1,073</b>	<b>\$1,111</b>
<b>Net Debt / Adjusted EBITDA</b>	<b>2.6x</b>	<b>2.6x</b>

\$ in millions

<sup>(2)</sup> Adjusted EBITDA for the trailing twelve-month period

# 2018 GUIDANCE

	Previous FY 2018 Guidance	Current FY 2018 Guidance
Revenue Growth	0% - 3%	(1)% - (3)%
GAAP Diluted EPS <sup>(1)</sup>	\$2.08 - \$2.48	\$0.07 - \$0.65
Non-GAAP Diluted EPS	\$3.30 - \$3.45	\$2.55 - \$2.75
Free Cash Flow	~90% Conversion Rate	\$300 - \$350 million ~ 80 - 90% Conversion Rate

<sup>(1)</sup> The current year 2018 GAAP diluted EPS guidance includes \$183 million, or \$1.16 per share, of asset impairment charges for goodwill and other long-lived assets related to the Hardware segment. Additionally, the restructuring and transformation charge included in our current year 2018 GAAP diluted EPS guidance has not changed. For all other GAAP to non-GAAP adjustments, refer to the reconciliations included in the supplemental materials.

# LOOKING FORWARD

- Accelerate growth; Primarily recurring revenue
- Improve the quality and delivery of our products and services
- Focus on customer satisfaction
- Act with a sense of urgency
- Drive free cash flow and invest in projects that generate the highest long term return on capital



# SUPPLEMENTARY MATERIALS



# Q2 2018 GAAP RESULTS

	Q2 2018	Q2 2017	% Change As Reported
<b>Revenue</b>	<b>\$1,537</b>	<b>\$1,593</b>	<b>(4)%</b>
<b>Gross Margin</b>	<b>403</b>	<b>461</b>	<b>(13)%</b>
Gross Margin Rate	26.2%	28.9%	
<b>Operating Expenses</b>	<b>509</b>	<b>286</b>	<b>78%</b>
% of Revenue	33.1%	18.0%	
<b>Operating (Loss) Income <sup>(1)</sup></b>	<b>(106)</b>	<b>175</b>	<b>(161)%</b>
% of Revenue	(6.9)%	11.0%	
<b>Interest and other expense</b>	<b>(50)</b>	<b>(45)</b>	<b>11%</b>
<b>Income Tax (Benefit) Expense</b>	<b>(12)</b>	<b>33</b>	<b>(136)%</b>
Effective Income Tax Rate	8%	25%	
<b>Net (Loss) Income</b>	<b>(\$143)</b>	<b>\$97</b>	<b>(247)%</b>
<b>Diluted EPS</b>	<b>(\$1.31)</b>	<b>\$0.64</b>	<b>(305)%</b>

in millions, except per share amounts

<sup>(1)</sup> Q2 2018 results included \$183 million of pre-tax asset impairment charges related to goodwill and other long-lived assets associated with the Hardware segment and \$66 million of costs incurred related to the restructuring and transformation initiatives.

# Q2 2018 OPERATIONAL RESULTS

	Q2 2018	Q2 2017	% Change As Reported	% Change Constant Currency
Revenue	\$1,537	\$1,593	(4)%	(5)% <sup>(1)</sup>
Gross Margin (non-GAAP)	449	477	(6)%	(8)%
Gross Margin Rate (non-GAAP)	29.2%	29.9%	(70) bps	(100) bps
Operating Expenses (non-GAAP)	284	265	7%	6%
% of Revenue	18.5%	16.6%		
Operating Income (non-GAAP)	165	212	(22)%	(24)%
% of Revenue	10.7%	13.3%	(260) bps	(270) bps
Interest and other expense (non-GAAP)	(50)	(45)	11%	8%
Income Tax Expense (non-GAAP)	18	45	(60)%	
Effective Income Tax Rate (non-GAAP)	16%	27%		
Net Income (non-GAAP)	\$97	\$122	(20)%	(22)%
Diluted EPS (non-GAAP) <sup>(2)</sup>	\$0.65	\$0.80	(19)%	(20)%

in millions, except per share amounts

<sup>(1)</sup> The impact of foreign currency was \$17 million favorable in Q2 2018.

<sup>(2)</sup> Q2 2018 includes \$0.02 of foreign currency benefit on EPS. Diluted share count of 149.2 million in Q2 2018 and 152.7 million in Q2 2017.



# NON-GAAP MEASURES

While NCR reports its results in accordance with generally accepted accounting principles (GAAP) in the United States, comments made during this conference call and in these materials will include non-GAAP measures. These measures are included to provide additional useful information regarding NCR's financial results, and are not a substitute for their comparable GAAP measures.

***Operating Income (non-GAAP), Diluted EPS (non-GAAP), Gross Margin (non-GAAP), Gross Margin Rate (non-GAAP), Interest and Other expense (non-GAAP), Effective Income Tax Rate (non-GAAP), Net Income (non-GAAP), Operating Expenses (non-GAAP) and Income Tax Expense (non-GAAP).*** NCR's operating income (non-GAAP), diluted earnings per share (non-GAAP), gross margin (non-GAAP), gross margin rate (non-GAAP), interest and other expense (non-GAAP), effective income tax rate (non-GAAP), and net income (non-GAAP), operating expenses (non-GAAP) and income tax expense (non-GAAP) are determined by excluding pension mark-to-market adjustments, pension settlements, pension curtailments and pension special termination benefits and other special items, including amortization of acquisition related intangibles, from NCR's GAAP income (loss) from operations, earnings per share, gross margin, gross margin rate, interest and other expense, effective income tax rate, net income, operating expenses and income tax expense, respectively. Due to the non-operational nature of these pension and other special items, NCR's management uses these non-GAAP measures to evaluate year-over-year operating performance. NCR also uses operating income (non-GAAP) and non-GAAP diluted EPS, to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes these measures are useful for investors because they provide a more complete understanding of NCR's underlying operational performance, as well as consistency and comparability with NCR's past reports of financial results.

***Free Cash Flow and Free Cash Flow as a Percentage of Non-GAAP Net Income (or Free Cash Flow Conversion Rate).*** NCR defines free cash flow as net cash provided by/used in operating activities and cash flow provided by/used in discontinued operations less capital expenditures for property, plant and equipment, additions to capitalized software, discretionary pension contributions and pension settlements. NCR's management uses free cash flow to assess the financial performance of the Company and believes it is useful for investors because it relates the operating cash flow of the Company to the capital that is spent to continue and improve business operations. In particular, free cash flow indicates the amount of cash generated after capital expenditures which can be used for, among other things, investment in the Company's existing businesses, strategic acquisitions, strengthening the Company's balance sheet, repurchase of Company stock and repayment of the Company's debt obligations. NCR also describes free cash flow as a percentage of non-GAAP net income (or free cash flow conversion rate), which is calculated as free cash flow divided by non-GAAP net income. NCR's management targets an annual free cash flow conversion rate at or above the range described in these materials because management believes that a conversion rate at or above that range represents the efficient conversion of non-GAAP net income to free cash flow for its business. Free cash flow and free cash flow conversion rate do not have uniform definitions under GAAP and, therefore, NCR's definitions may differ from other companies' definition of these measures.

# NON-GAAP MEASURES

**Constant Currency.** NCR presents certain financial measures, such as period-over-period revenue growth, on a constant currency basis, which excludes the effects of foreign currency translation by translating prior period results at current period monthly average exchange rates. Due to the overall variability of foreign exchange rates from period to period, NCR's management uses constant currency measures to evaluate period-over-period operating performance on a more consistent and comparable basis. NCR's management believes that presentation of financial measures without these results is more representative of the company's period-over-period operating performance, and provides additional insight into historical and/or future performance, which may be helpful for investors, which the company is able to convert its non-GAAP net income to cash.

**Net Debt and Adjusted EBITDA.** NCR believes that Net Debt provides useful information to investors because NCR's management reviews Net Debt as part of its management of overall liquidity, financial flexibility, capital structure and leverage. In addition, certain debt rating agencies, creditors and credit analysts monitor NCR's Net Debt as part of their assessments of NCR's business. NCR determines Net Debt based on its total debt less cash and cash equivalents, with total debt being defined as total short-term borrowings plus total long-term debt.

NCR believes that Adjusted EBITDA (adjusted earnings before interest, taxes, depreciation and amortization) provides useful information to investors because it is an indicator of the strength and performance of the Company's ongoing business operations, including its ability to fund discretionary spending such as capital expenditures, strategic acquisitions and other investments. NCR determines Adjusted EBITDA for a given period based on its GAAP income (loss) from continuing operations plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; plus other income (expense); plus pension expense (benefit); and plus special items. NCR believes that its ratio of net debt to Adjusted EBITDA provides useful information to investors because it is an indicator of the company's ability to meet its future financial obligations.

NCR believes that its ratio of Net Debt to Adjusted EBITDA provides useful information to investors because it is an indicator of the company's ability to meet its future financial obligations. In addition, the Net Debt to Adjusted EBITDA ratio is measures frequently used by investors and credit rating agencies. The Net Debt to Adjusted EBITDA ratio is calculated by dividing Net Debt by trailing twelve-month Adjusted EBITDA.

NCR management's definitions and calculations of these non-GAAP measures may differ from similarly-titled measures reported by other companies and cannot, therefore, be compared with similarly-titled measures of other companies. These non-GAAP measures should not be considered as substitutes for, or superior to, results determined in accordance with GAAP. These non-GAAP measures are reconciled to their corresponding GAAP measures in the following slides and elsewhere in these materials. These reconciliations and other information regarding these non-GAAP measures are also available on the Investor Relations page of NCR's website at [www.ncr.com](http://www.ncr.com).



# GAAP TO NON-GAAP RECONCILIATION

## Net Income from Continuing Operations (GAAP) to Adjusted EBITDA (non-GAAP)

in millions	Q2 2018 LTM	Q2 2017 LTM
Net Income from Continuing Operations (GAAP)	(\$2)	\$335
Pension Mark-to-Market Adjustments	28	85
Transformation/Restructuring Costs	90	32
Acquisition-Related Amortization of Intangibles	102	116
Acquisition-Related Costs	4	6
Asset Impairment Charges	183	—
Divestiture and Liquidation Losses	—	1
Net (Income) Loss from Continuing Operations Attributable to Noncontrolling Interests	(3)	(6)
Interest Expense	165	161
Interest Income	(3)	(4)
Depreciation and Amortization	243	217
Income Taxes	190	95
Stock Compensation Expense	76	73
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$1,073</b>	<b>\$1,111</b>

in millions

# GAAP TO NON-GAAP RECONCILIATION

Q2 2018 QTD

in millions (except per share amounts)	Q2 QTD 2018 GAAP	Transformation and Restructuring costs	Asset Impairment charges	Acquisition-related amortization of intangibles	Acquisition-related costs	Impact of U.S. Tax Reform	Q2 QTD 2018 non-GAAP
Product revenue	\$525	\$—	\$—	\$—	\$—	\$—	\$525
Service revenue	1,012	—	—	—	—	—	1,012
<b>Total revenue</b>	<b>1,537</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,537</b>
Cost of products	451	(32)	—	(2)	—	—	417
Cost of services	683	(9)	—	(3)	—	—	671
Gross margin	403	41	—	5	—	—	449
<b>Gross margin rate</b>	<b>26.2%</b>	<b>2.7%</b>	<b>—%</b>	<b>0.3%</b>	<b>—%</b>	<b>—%</b>	<b>29.2%</b>
Selling, general and administrative expenses	261	(22)	—	(16)	(1)	—	222
Research and development expenses	65	(3)	—	—	—	—	62
Asset impairment charges	183	—	(183)	—	—	—	—
Total operating expenses	509	(25)	(183)	(16)	(1)	—	284
<i>Total operating expense as a % of revenue</i>	<i>33.1%</i>	<i>(1.6)%</i>	<i>(11.9)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>18.5%</i>
<b>Income from operations</b>	<b>(106)</b>	<b>66</b>	<b>183</b>	<b>21</b>	<b>1</b>	<b>—</b>	<b>165</b>
<i>Income from operations as a % of revenue</i>	<i>(6.9)%</i>	<i>4.2%</i>	<i>11.9%</i>	<i>1.4%</i>	<i>0.1%</i>	<i>—%</i>	<i>10.7%</i>
Interest and Other (expense) income, net	(50)	—	—	—	—	—	(50)
Income from continuing operations before income taxes	(156)	66	183	21	1	—	115
Income tax expense	(12)	16	8	4	—	2	18
<i>Effective income tax rate</i>	<i>8%</i>						<i>16%</i>
Income from continuing operations	(144)	50	175	17	1	(2)	97
Net income attributable to noncontrolling interests	(1)	—	1	—	—	—	—
<b>Income from continuing operations (attributable to NCR)</b>	<b>(\$143)</b>	<b>\$50</b>	<b>\$174</b>	<b>\$17</b>	<b>\$1</b>	<b>(\$2)</b>	<b>\$97</b>
<b>Diluted earnings per share</b>	<b>(\$1.31)</b>	<b>\$0.34</b>	<b>\$1.17</b>	<b>\$0.11</b>	<b>\$0.01</b>	<b>(\$0.01)</b>	<b>\$0.65</b>
Diluted shares outstanding	117.9						149.2

# GAAP TO NON-GAAP RECONCILIATION

Q2 2018 QTD

	Q2 QTD 2018 GAAP	Q2 QTD 2018 non-GAAP
in millions (except per share amounts)		
<b>Income from continuing operations attributable to NCR common stockholders:</b>		
Income from continuing operations (attributable to NCR)	\$(143)	\$97
Dividends on convertible preferred shares	(12)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$(155)</b>	<b>\$97</b>
<b>Weighted average outstanding shares:</b>		
Weighted average diluted shares outstanding	117.9	121.1
Weighted as-if converted preferred shares	—	28.1
<b>Total shares used in diluted earnings per share</b>	<b>117.9</b>	<b>149.2</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>(\$1.31)</b>	<b>\$0.65</b>

<sup>(1)</sup> GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

in millions (except per share amounts)	Q2 QTD 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q2 QTD 2017 non-GAAP
Product revenue	\$618	\$—	\$—	\$—	\$618
Service revenue	975	—	—	—	975
<b>Total revenue</b>	<b>1,593</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,593</b>
Cost of products	478	—	(6)	—	472
Cost of services	654	(4)	(6)	—	644
Gross margin	461	4	12	—	477
<b>Gross margin rate</b>	<b>28.9%</b>	<b>0.3%</b>	<b>0.7%</b>	<b>—%</b>	<b>29.9%</b>
Selling, general and administrative expenses	228	(3)	(16)	(1)	208
Research and development expenses	58	(1)	—	—	57
Total expenses	286	(4)	(16)	(1)	265
<i>Total expense as a % of revenue</i>	<b>18.0%</b>	<b>(0.3)%</b>	<b>(1.0)%</b>	<b>(0.1)%</b>	<b>16.6%</b>
<b>Income from operations</b>	<b>175</b>	<b>8</b>	<b>28</b>	<b>1</b>	<b>212</b>
<i>Income from operations as a % of revenue</i>	<b>11.0%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>0.1%</b>	<b>13.3%</b>
Interest and Other (expense) income, net	(45)	—	—	—	(45)
Income from continuing operations before income taxes	130	8	28	1	167
Income tax expense	33	2	9	1	45
<i>Effective income tax rate</i>	<b>25%</b>				<b>27%</b>
Income from continuing operations	97	6	19	—	122
Net income attributable to noncontrolling interests	—	—	—	—	—
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$97</b>	<b>\$6</b>	<b>\$19</b>	<b>\$—</b>	<b>\$122</b>
<b>Diluted (loss) earnings per share</b>	<b>\$0.64</b>	<b>\$0.04</b>	<b>\$0.12</b>	<b>\$—</b>	<b>\$0.80</b>
Diluted shares outstanding	152.7				152.7



# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

	Q2 QTD 2017 GAAP	Q2 QTD 2017 non-GAAP
in millions (except per share amounts)		
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
Income from continuing operations (attributable to NCR)	\$97	\$122
<b>(Loss) Income from continuing operations attributable to NCR common stockholders</b>	<b>\$97</b>	<b>\$122</b>
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	126.1	126.1
Weighted as-if converted preferred shares	26.6	26.6
<b>Total shares used in diluted earnings per share</b>	<b>152.7</b>	<b>152.7</b>
<b>Diluted (loss) earnings per share <sup>(1)</sup></b>	<b>\$0.64</b>	<b>\$0.80</b>

<sup>(1)</sup> GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

# GAAP TO NON-GAAP RECONCILIATION

Q2 2018 YTD

in millions (except per share amounts)	Q2 2018 YTD GAAP	Transformation and Restructuring costs	Asset impairment charges	Acquisition- related amortization of intangibles	Acquisition- related costs	Impact of U.S. Tax Reform	Q2 2018 YTD non-GAAP
Product revenue	\$1,051	\$—	\$—	\$—	\$—	\$—	\$1,051
Service revenue	2,003	—	—	—	—	—	2,003
<b>Total revenue</b>	<b>3,054</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,054</b>
Cost of products	871	(32)	—	(6)	—	—	833
Cost of services	1,360	(13)	—	(6)	—	—	1,341
Gross margin	823	45	—	12	—	—	880
<b>Gross margin rate</b>	<b>26.9%</b>	<b>1.5%</b>	<b>—%</b>	<b>0.4%</b>	<b>—%</b>	<b>—%</b>	<b>28.8%</b>
Selling, general and administrative expenses	506	(32)	—	(32)	(1)	—	441
Research and development expenses	131	(5)	—	—	—	—	126
Asset impairment charges	183	—	(183)	—	—	—	—
Total expenses	820	(37)	(183)	(32)	(1)	—	567
Total expense as a % of revenue	26.9%	(1.3)%	(6.0)%	(1.0)%	—%	—%	18.6%
<b>Income from operations</b>	<b>3</b>	<b>82</b>	<b>183</b>	<b>44</b>	<b>1</b>	<b>—</b>	<b>313</b>
Income from operations as a % of revenue	0.1%	2.7%	6.0%	1.4%	—%	—%	10.2%
Interest and Other (expense) income, net	(96)	—	—	—	—	—	(96)
Income from continuing operations before income taxes	(93)	82	183	44	1	—	217
Income tax expense	(5)	20	8	9	—	2	34
Effective income tax rate	5%						16%
Income from continuing operations	(88)	62	175	35	1	(2)	183
Net income attributable to noncontrolling interests	—	—	1	—	—	—	1
<b>Income from continuing operations (attributable to NCR)</b>	<b>(\$88)</b>	<b>\$62</b>	<b>\$174</b>	<b>\$35</b>	<b>\$1</b>	<b>(\$2)</b>	<b>\$182</b>
<b>Diluted earnings per share</b>	<b>(\$0.94)</b>	<b>\$0.41</b>	<b>\$1.16</b>	<b>\$0.23</b>	<b>\$0.01</b>	<b>(\$0.01)</b>	<b>\$1.21</b>
Diluted Shares outstanding	118.6						150.5



# GAAP TO NON-GAAP RECONCILIATION

Q2 2018 YTD

	Q2 2018 YTD GAAP	Q2 2018 YTD non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$ (88)	\$ 182
Dividends on convertible preferred shares	(24)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$ (112)</b>	<b>\$ 182</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	118.6	122.6
Weighted as-if converted preferred shares	—	27.9
<b>Total shares used in diluted earnings per share</b>	<b>118.6</b>	<b>150.5</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>(\$0.94)</b>	<b>\$1.21</b>

<sup>(1)</sup> GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 YTD

in millions (except per share amounts)	Q2 2017 YTD GAAP	Transformation costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Q2 2017 YTD non-GAAP
Product revenue	\$1,172	\$—	\$—	\$—	\$1,172
Service revenue	1,899	—	—	—	1,899
<b>Total revenue</b>	<b>3,071</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,071</b>
Cost of products	902	(2)	(13)	—	887
Cost of services	1,296	(8)	(12)	—	1,276
Gross margin	873	10	25	—	908
<b>Gross margin rate</b>	<b>28.4%</b>	<b>0.4%</b>	<b>0.8%</b>	<b>—%</b>	<b>29.6%</b>
Selling, general and administrative expenses	458	(7)	(32)	(2)	417
Research and development expenses	125	(4)	—	—	121
Total expenses	583	(11)	(32)	(2)	538
Total expense as a % of revenue	19.0%	(0.4)%	(1.0)%	(0.1)%	17.5%
<b>Income from operations</b>	<b>290</b>	<b>21</b>	<b>57</b>	<b>2</b>	<b>370</b>
Income from operations as a % of revenue	9.4%	0.6%	1.9%	0.1%	12.0%
Interest and Other (expense) income, net	(89)	—	—	—	(89)
Income from continuing operations before income taxes	201	21	57	2	281
Income tax expense	47	6	18	1	72
Effective income tax rate	23%				26%
Income from continuing operations	154	15	39	1	209
Net income attributable to noncontrolling interests	—	—	—	—	—
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$154</b>	<b>\$15</b>	<b>\$39</b>	<b>\$1</b>	<b>\$209</b>
<b>Diluted earnings per share</b>	<b>\$0.53</b>	<b>\$0.10</b>	<b>\$0.25</b>	<b>\$0.01</b>	<b>\$1.35</b>
Diluted Shares outstanding	127.2				154.7

# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 YTD

	Q2 2017 YTD GAAP	Q2 2017 YTD non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$154	\$209
Dividends on convertible preferred shares	(24)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$68</b>	<b>\$209</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	127.2	127.2
Weighted as-if converted preferred shares	—	27.5
<b>Total shares used in diluted earnings per share</b>	<b>127.2</b>	<b>154.7</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$0.53</b>	<b>\$1.35</b>

<sup>(1)</sup> GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

# GAAP TO NON-GAAP RECONCILIATION

FY 2017

in millions (except per share amounts)	FY 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark- to-market adjustments	Impact of U.S. Tax Reform	FY 2017 non-GAAP
Product revenue	\$2,579	\$—	\$—	\$—	\$—	\$—	\$2,579
Service revenue	3,937	—	—	—	—	—	3,937
<b>Total revenue</b>	<b>6,516</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,516</b>
Cost of products	2,021	(2)	(25)	—	—	—	1,994
Cost of services	2,639	(9)	(25)	—	—	—	2,605
Gross margin	1,856	11	50	—	—	—	1,917
<b>Gross margin rate</b>	<b>28.5%</b>	<b>0.1%</b>	<b>0.8%</b>	<b>—%</b>	<b>—%</b>	<b>—%</b>	<b>29.4%</b>
Selling, general and administrative expenses	923	(14)	(65)	(5)	—	—	839
Research and development expenses	242	(4)	—	—	—	—	238
Total expenses	1,165	(18)	(65)	(5)	—	—	1,077
<i>Total expense as a % of revenue</i>	<i>17.9%</i>	<i>(0.3)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>16.5%</i>
<b>Income from operations</b>	<b>691</b>	<b>29</b>	<b>115</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>840</b>
<i>Income from operations as a % of revenue</i>	<i>10.6%</i>	<i>0.4%</i>	<i>1.8%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>12.9%</i>
Interest and Other (expense) income, net	(209)	—	—	—	28	—	(181)
Income from continuing operations before income taxes	482	29	115	5	28	—	659
Income tax expense (benefit)	242	9	36	2	3	(130)	162
<i>Effective income tax rate</i>	<i>50%</i>						<i>25%</i>
Income from continuing operations	240	20	79	3	25	130	497
Net income attributable to noncontrolling interests	3	—	—	—	—	—	3
<b>Income from continuing operations (attributable to NCR)</b>	<b>\$237</b>	<b>\$20</b>	<b>\$79</b>	<b>\$3</b>	<b>\$25</b>	<b>\$130</b>	<b>\$494</b>
<b>Diluted earnings per share</b>	<b>\$1.01</b>	<b>\$0.13</b>	<b>\$0.51</b>	<b>\$0.02</b>	<b>\$0.16</b>	<b>\$0.84</b>	<b>\$3.20</b>
Diluted Shares outstanding	127.0						154.3



# GAAP TO NON-GAAP RECONCILIATION

FY 2017

	FY 2017 GAAP	FY 2017 non-GAAP
in millions (except per share amounts)		
<b><i>Income from continuing operations attributable to NCR common stockholders:</i></b>		
Income from continuing operations (attributable to NCR)	\$237	\$494
Dividends on convertible preferred shares	(47)	—
Deemed dividend on modification of convertible preferred shares	(4)	—
Deemed dividend on convertible preferred shares related to redemption value accretion	(58)	—
<b>Income from continuing operations attributable to NCR common stockholders</b>	<b>\$128</b>	<b>\$494</b>
<b><i>Weighted average outstanding shares:</i></b>		
Weighted average diluted shares outstanding	127.0	127.0
Weighted as-if converted preferred shares	—	27.3
<b>Total shares used in diluted earnings per share</b>	<b>127.0</b>	<b>154.3</b>
<b>Diluted earnings per share <sup>(1)</sup></b>	<b>\$1.01</b>	<b>\$3.20</b>

<sup>(1)</sup> GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends on NCR's Series A Convertible Preferred Shares in the calculation of net income or loss available to common stockholders or including the impact of the conversion of such preferred stock into common stock in the calculation of the weighted average diluted shares outstanding. Non-GAAP EPS is always determined using the as-if converted preferred shares and shares that would be issued for stock compensation awards. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may be calculated using different methods, and may not mathematically reconcile.

# GAAP TO NON-GAAP RECONCILIATION

Q2 2018 QTD

Gross Margin and Gross Margin Rate (non-GAAP) to  
Gross Margin and Gross Margin Rate (GAAP)

	Q2 2018 QTD	
	Gross Margin	Gross Margin Rate %
Software	223	47.4%
Services	158	25.9%
Hardware	68	14.9%
<b>Total Gross Margin (non-GAAP)</b>	<b>449</b>	<b>29.2%</b>
Less:		
Transformation Costs	41	2.7%
Acquisition-related amortization of intangibles	5	0.3%
<b>Total Gross Margin (GAAP)</b>	<b>403</b>	<b>26.2%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

## Gross Margin and Gross Margin Rate (non-GAAP) to Gross Margin and Gross Margin Rate (GAAP)

	Q2 2017 QTD	
	Gross Margin	Gross Margin Rate %
Software	227	48.9%
Services	148	25.2%
Hardware	102	18.9%
<b>Total Gross Margin (non-GAAP)</b>	<b>477</b>	<b>29.9%</b>
Less:		
Transformation Costs	4	0.3%
Acquisition-related amortization of intangibles	12	0.7%
<b>Total Gross Margin (GAAP)</b>	<b>461</b>	<b>28.9%</b>

# GAAP TO NON-GAAP RECONCILIATION

Q2 2018 QTD

Operating Income and Operating Income Rate (non-GAAP) to  
Operating Income and Operating Income Rate (GAAP)

	Q2 2018 QTD	
	Operating Income	Operating Income Rate
Software	115	24.5%
Services	77	12.6%
Hardware	(27)	(5.9)%
<b>Total Operating Income (non-GAAP)</b>	<b>165</b>	<b>10.7%</b>
Less:		
Transformation & Restructuring costs	66	4.2%
Asset Impairment charges	183	11.9%
Acquisition-related amortization of intangibles	21	1.4%
Acquisition-related costs	1	0.1%
<b>Total Operating Income (GAAP)</b>	<b>(106)</b>	<b>(6.9)%</b>



# GAAP TO NON-GAAP RECONCILIATION

Q2 2017 QTD

Operating Income and Operating Income Rate (non-GAAP) to  
Operating Income and Operating Income Rate (GAAP)

	Q2 2017 QTD	
	Operating Income	Operating Income Rate
Software	127	27.4%
Services	74	12.6%
Hardware	11	2.0%
<b>Total Operating Income (non-GAAP)</b>	<b>212</b>	<b>13.3%</b>
Less:		
Transformation Costs	8	0.5%
Acquisition-related amortization of intangibles	28	1.7%
Acquisition-related costs	1	0.1%
<b>Total Operating Income (GAAP)</b>	<b>175</b>	<b>11.0%</b>

# GAAP TO NON-GAAP RECONCILIATION

## Revenue Growth % (GAAP) to Revenue Growth Constant Currency % (non-GAAP)

	Q2 2018 QTD		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)
Software License	(12)%	1%	(13)%
<i>Attached License</i>	(15)%	2%	(17)%
<i>Unattached License</i>	(10)%	—%	(10)%
Software Maintenance	2%	1%	1%
Cloud	7%	—%	7%
Professional Services	2%	2%	—%
<b>Software</b>	<b>1%</b>	<b>1%</b>	<b>—%</b>
<b>Services</b>	<b>4%</b>	<b>1%</b>	<b>3%</b>
ATMs	(21)%	1%	(22)%
Self-Checkout (SCO)	3%	—%	3%
Point-of-Sale (POS)	(16)%	2%	(18)%
Interactive Printer Solutions (IPS)	(100)%	—%	(100)%
<b>Hardware</b>	<b>(16)%</b>	<b>1%</b>	<b>(17)%</b>
<b>Total Revenue</b>	<b>(4)%</b>	<b>1%</b>	<b>(5)%</b>

# GAAP TO NON-GAAP RECONCILIATION

## Gross Margin Growth % (GAAP) to Gross Margin Growth % on a Constant Currency Basis (non-GAAP)

	Q2 2018 QTD		
	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)
Software	(2)%	1%	(3)%
Services	7%	—%	7%
Hardware	(33)%	4%	(37)%
<b>Total Gross Margin</b>	<b>(6)%</b>	<b>2%</b>	<b>(8)%</b>

# GAAP TO NON-GAAP RECONCILIATION

## Operating Income Growth % (GAAP) to Operating Income Growth % on a Constant Currency Basis (non-GAAP)

	Q2 2018 QTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	(9)%	1%	(10)%
Services	4%	(3)%	7%
Hardware	(345)%	81%	(264)%
<b>Total Operating Income</b>	<b>(22)%</b>	<b>2%</b>	<b>(24)%</b>

# GAAP TO NON-GAAP RECONCILIATION

## Gross Margin Growth bps (GAAP) to Gross Margin Growth bps on a Constant Currency Basis (non-GAAP)

	Q2 2018 QTD		
	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non-GAAP)
Software	(150) bps	— bps	(150) bps
Services	70 bps	(30) bps	100 bps
Hardware	(400) bps	100 bps	(500) bps
<b>Total Gross Margin bps</b>	<b>(70) bps</b>	<b>30 bps</b>	<b>(100) bps</b>

# GAAP TO NON-GAAP RECONCILIATION

## Operating Income Growth bps (GAAP) to Operating Income Growth bps on a Constant Currency Basis (non-GAAP)

	Q2 2018 QTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non- GAAP)
Software	(290) bps	(10) bps	(280) bps
Services	— bps	(40) bps	40 bps
Hardware	(790) bps	100 bps	(890) bps
<b>Total Operating Income</b>	<b>(260) bps</b>	<b>10 bps</b>	<b>(270) bps</b>



# GAAP TO NON-GAAP RECONCILIATION

## Diluted Earnings per Share

	Current 2018 Guidance	Prior 2018 Guidance
Diluted EPS (GAAP) <sup>(1) (2)</sup>	\$0.07 - \$0.65	\$2.08 - \$2.48
Transformation & Restructuring costs	0.50 - 0.75	0.50 - 0.75
Asset impairment charges	1.16	—
Acquisition-Related Amortization of Intangibles	0.42	0.42
Acquisition-Related Costs	0.05	0.05
Non-GAAP Diluted EPS <sup>(1) (3)</sup>	\$2.55 - \$2.75	\$3.30 - \$3.45

<sup>(1)</sup> Non-GAAP diluted EPS is determined using the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of weighted average diluted shares outstanding. GAAP EPS is determined using the most dilutive measure, either including the impact of dividends or deemed dividends on the Company's Series A Convertible Preferred Stock in the calculation of net income or loss available to common stockholders or including the impact of the conversion of the Series A Convertible Preferred Stock into common stock in the calculation of the weighted average diluted shares outstanding. Therefore, GAAP diluted EPS and non-GAAP diluted EPS may not mathematically reconcile.

<sup>(2)</sup> Except for the adjustments noted herein, this guidance does not include the effects of any future acquisitions/divestitures, pension mark-to-market adjustments, taxes or other events, which are difficult to predict and which may or may not be significant.

<sup>(3)</sup> For FY 2018, we have assumed OIE of approximately \$205 million, an effective tax rate of 23% and a share count of 151 million compared to OIE of \$181 million, an effective tax rate of 25% and a share count of 154 million in FY 2017.

# GAAP TO NON-GAAP RECONCILIATION

Free Cash Flow	2018 Guidance
Cash Provided by Operating Activities	\$690 - \$720
Total capital expenditures <sup>(1)</sup>	(330) - (350)
Cash used in Discontinued Operations	(40)
<b>Free Cash Flow</b>	<b>\$300 - \$350</b>

\$ in millions

<sup>(1)</sup> Total capital expenditures includes approximately \$75 million related to the new world headquarters in Atlanta, Georgia. This \$75 million is offset by \$23 million of expected reimbursements by the lessor included in net cash provided by operating activities





