

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 27, 2022



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) 445-1936

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	NCR	New York Stock Exchange

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 27, 2022, the Company issued a press release setting forth its second quarter 2022 financial results and certain other financial information. 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 27, 2022, the Company will hold its previously announced conference call to discuss its second quarter financial results. 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.

The information in this report (including Exhibits 99.1 and 99.2) is being furnished pursuant to Item 2.02 and Item 7.01 and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by the Company, dated July 27, 2022
99.2	Supplemental materials, dated July 27, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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/ Timothy C. Oliver
Timothy C. Oliver
Senior Executive Vice President and Chief Financial Officer

Date: July 27, 2022



July 27, 2022

NCR Announces Second Quarter 2022 Results
Revenue up 19% and Strong Momentum in Strategic Growth Initiatives

ATLANTA - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended June 30, 2022. Second quarter and other recent highlights include:

- **Revenue of \$2.0 billion, up 19%; Recurring revenue growth of 31%**
- **GAAP diluted EPS from continuing operations of \$0.22; Non-GAAP diluted EPS of \$0.71**
- **Strong execution across strategic growth initiatives**
- **Previously announced board-led strategic review to enhance shareholder value continues**

“We delivered solid results in the second quarter with strong revenue growth and higher profitability, despite the difficult macroeconomic environment. Strong demand for our solutions and diligent execution position NCR to drive solid financial results in 2022.” said Michael Hayford, Chief Executive Officer. “We made significant progress in the strategic growth initiatives that are transforming NCR into a software-led as-a-service company with a higher mix of recurring revenue streams. NCR is well positioned to deliver increased value to customers and to stockholders.”

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,” “Adjusted EBITDA,” 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 2022 Operating Results

Effective January 1, 2022, the Company realigned its reportable segments to correspond with changes to its operating model, management structure and organizational responsibilities. Prior periods have been reclassified in order to conform to current period presentation.

Revenue

Second quarter revenue of \$1,997 million increased 19% year over year. Foreign currency fluctuations had an unfavorable impact on the revenue comparison of 4%. The following table shows revenue for the second quarter:

\$ in millions	Q2 2022	Q2 2021	% Increase (Decrease)	% Increase (Decrease) Constant Currency
Payments & Network ⁽¹⁾	\$ 332	\$ 54	515 %	526 %
Digital Banking	131	129	2 %	2 %
Self-Service Banking	679	645	5 %	9 %
Retail	562	562	— %	4 %
Hospitality	238	215	11 %	11 %
Other	61	77	(21) %	(19) %
Eliminations ⁽²⁾	(12)	(5)	140 %	140 %
Total segment revenue	\$ 1,991	\$ 1,677	19 %	22 %
Other adjustment ⁽³⁾	6	—		
Total revenue	\$ 1,997	\$ 1,677	19 %	23 %
Recurring revenue	\$ 1,217	\$ 929	31 %	35 %
Recurring revenue %	61 %	55 %		

⁽¹⁾ Second quarter 2022 revenue includes the results of the Cardtronics business, which was acquired on June 21, 2021, and the results of the LibertyX business, which was acquired on January 5, 2022. The second quarter 2021 results include the operations of Cardtronics from June 21, 2021 to June 30, 2021 in the Payments & Network and Self-Service Banking segment results which include \$29 million and \$3 million of revenue and \$10 million and \$1 million of Adjusted EBITDA, respectively.

⁽²⁾ Eliminations include revenues from contracts with customers and the related costs that are reported in the Payments & Network segment as well as in the Retail or Hospitality segments, including merchant acquiring services that are monetized via payments.

⁽³⁾ Other adjustment reflects the revenue attributable to the Company's operations in Russia for the three months ending June 30, 2022 that were excluded from management's measure of revenue due to our announcement to suspend sales to Russia and anticipated orderly wind down of our operations in Russia. The revenue attributable to the Russian operations for the prior period of \$11 million is included in the respective segments. Refer to the section entitled "Non-GAAP Financial Measures" for additional information.

- Second quarter gross margin of \$471 million increased from \$456 million in the prior year period. Gross margin rate was 23.6%, compared to 27.2% in the prior period. Second quarter gross margin (non-GAAP) of \$511 million increased from \$472 million in the prior year period. Gross margin rate (non-GAAP) was 25.7%, compared to 28.1% in the prior period.
- Second quarter income from operations of \$103 million increased from \$84 million in the prior year period. Second quarter operating income (non-GAAP) of \$198 million increased from \$173 million in the prior year period.
- Second quarter net income from continuing operations attributable to NCR of \$35 million increased from net loss from continuing operations attributable to NCR of \$9 million in the prior year period.
- Second quarter Adjusted EBITDA of \$339 million increased from \$281 million in the prior year period. Adjusted EBITDA margin rate was 17.0%, compared to 16.8% in the prior year period.

- Second quarter cash provided by operating activities of \$80 million decreased from cash provided by operating activities of \$155 million in the prior year period. Second quarter free cash flow was break-even, compared to free cash flow of \$142 million in the prior year period.

Strategic Review

The NCR Board of Directors continues to pursue its previously announced strategic review process to evaluate strategic alternatives available to NCR to enhance value for all shareholders. BofA Securities, Inc., Goldman Sachs & Co. LLC, and Evercore Group L.L.C. are serving as financial advisors to NCR.

The Board has not set a timeline for the conclusion of its review of strategic alternatives. NCR does not intend to comment further on the strategic review process unless and until NCR has determined that further disclosure is beneficial or required by law.

Shareholders are advised that there can be no certainty that the strategic review will result in a transaction, or if a transaction is pursued that such a transaction will be completed.

2022 Second Quarter Earnings Conference Call

A conference call is scheduled for today at 4:30 p.m. Eastern Time to discuss the second quarter 2022 results. 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 6606102.

More information on NCR's second quarter 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 leading enterprise technology provider that runs stores, restaurants and self-directed banking. NCR is headquartered in Atlanta, Ga., with 38,000 employees globally. NCR is a trademark of NCR Corporation in the United States and other countries.

Website: www.ncr.com

Twitter: @NCRCorporation

Facebook: www.facebook.com/ncrcorp

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

YouTube: www.youtube.com/user/ncrcorporation

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Cautionary Statements

This release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “Act”). Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “plan,” “confident,” “believe,” “will,” “should,” “would,” “potential,” “positioning,” “proposed,” “objective,” “could,” “may,” and words of similar meaning, as well as other words or expressions referencing future events, conditions or circumstances. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Act. 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. Examples of forward-looking statements in this release include, without limitation, statements regarding: our expectations of demand for our solutions and execution, and the impact thereof on our financial results in 2022; NCR’s focus on advancing our strategic growth initiatives and transforming NCR into a software-led as-a-service company with a higher mix of recurring revenue streams; our expectations of NCR’s ability to deliver increased value to customers and stockholders; and our strategic review to evaluate strategic alternatives to enhance shareholder value and the possible outcomes of such strategic review. 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:

- Strategy and Technology: transforming our business model; development and introduction of new solutions; competition in the technology industry; integration of acquisitions and management of alliance activities; our multinational operations; and our strategic review announced on February 8, 2022
- Business Operations: domestic and global economic and credit conditions; risks and uncertainties from the payments-related business and industry; disruptions in our data center hosting and public cloud facilities; retention and attraction of key employees; defects, errors, installation difficulties or development delays; failure of third-party suppliers; the impact of the coronavirus (COVID-19) pandemic and geopolitical and macroeconomic challenges; environmental exposures from historical and ongoing manufacturing activities; and climate change
- Data Privacy & Security: impact of data protection, cybersecurity and data privacy including any related issues
- Finance and Accounting: our level of indebtedness; the terms governing our indebtedness; incurrence of additional debt or similar liabilities or obligations; access or renewal of financing sources; our cash flow sufficiency to service our indebtedness; interest rate risks; the terms governing our trade receivables facility; the impact of certain changes in control relating to acceleration of our indebtedness, our obligations under other financing arrangements, or required repurchase of our senior unsecured notes; and any lowering or withdrawal of the ratings assigned to our debt securities by rating agencies; our pension liabilities; and write down of the value of certain significant assets
- Law and Compliance: protection of our intellectual property; changes to our tax rates and additional income tax liabilities; uncertainties regarding regulations, lawsuits and other related matters; and changes to cryptocurrency regulations
- Governance: impact of the terms of our Series A Convertible Preferred (“Series A”) Stock relating to voting power, share dilution and market price of our common stock; rights, preferences and privileges of Series A stockholders compared to the rights of our common stockholders; and actions or proposals from stockholders that do not align with our business strategies or the interests of our other stockholders

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, except as required by law.

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 Income (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 income (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, as well as other special items, including amortization of acquisition related intangibles and transformation and restructuring activities, 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 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.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA). NCR determines Adjusted EBITDA for a given period based on its GAAP net income from continuing operations attributable to NCR plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; plus stock-based compensation expense; plus other income (expense); plus pension mark-to-market adjustments, pension settlements, pension curtailments and pension special termination benefits and other special items, including amortization of acquisition related intangibles and restructuring charges, among others. NCR uses Adjusted EBITDA to manage and measure the performance of its business segments. NCR also uses Adjusted EBITDA to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes that Adjusted EBITDA 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.

Adjusted EBITDA margin is calculated based on Adjusted EBITDA as a percentage of total revenue.

Special Item Related to Russia The war in Eastern Europe and related sanctions imposed on Russia and related actors by the United States and other jurisdictions required us to commence the orderly wind down of our operations in Russia beginning in the first quarter of 2022. As of June 30, 2022, we have substantially ceased operations in Russia and are in process of dissolving our only subsidiary in Russia. As a result, for the three and six months ending June 30, 2022, our non-GAAP presentation of the measures described above exclude the immaterial impact of our operating results in Russia, as well as the impact of impairments taken to write down the carrying value of assets and liabilities, severance charges, and the assessment of collectability on revenue recognition. We consider this to be a non-recurring special item and management has reviewed the results of its business segments excluding these impacts. We have not adjusted the presentation of the prior year periods due to the immaterial impact of Russia to revenue and income from continuing operations for the three and six months ended June 30, 2021.

Free Cash Flow. NCR defines free cash flow as net cash provided by (used in) operating activities less capital expenditures for property, plant and equipment, less additions to capitalized software, plus/minus restricted cash settlement activity, plus acquisition-related items, less the impact from the initial sale of trade accounts receivables under the agreement entered into during the 3rd quarter of 2021, and plus 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. Free cash flow does 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.

Use of Certain Terms

Recurring revenue includes all revenue streams from contracts where there is a predictable revenue pattern that will occur at regular intervals with a relatively high degree of certainty. This includes hardware and software maintenance revenue, cloud revenue, payment processing revenue, interchange and network revenue, and certain professional services arrangements, as well as term-based software license arrangements that include customer termination rights.

Reconciliation of Gross Margin (GAAP) to Gross Margin (Non-GAAP)

\$ in millions	Q2 2022		Q2 2021	
Gross Margin (GAAP)	\$	471	\$	456
Transformation and restructuring costs		16		7
Acquisition-related amortization of intangibles		27		9
Acquisition-related costs		1		—
Russia		(4)		—
Gross Margin (Non-GAAP)	\$	511	\$	472

Reconciliation of Gross Margin Rate (GAAP) to Gross Margin Rate (Non-GAAP)

	Q2 2022		Q2 2021	
Gross Margin Rate (GAAP)		23.6 %		27.2 %
Transformation and restructuring costs		0.8 %		0.4 %
Acquisition-related amortization of intangibles		1.4 %		0.5 %
Acquisition-related costs		0.1 %		— %
Russia		(0.2) %		— %
Gross Margin Rate (Non-GAAP)		25.7 %		28.1 %

Reconciliation of Income from Operations (GAAP) to Operating Income (Non-GAAP)

\$ in millions	Q2 2022		Q2 2021	
Income (Loss) from Operations (GAAP)	\$	103	\$	84
Transformation and restructuring costs		49		7
Acquisition-related amortization of intangibles		45		23
Acquisition-related costs		3		59
Russia		(2)		—
Operating Income (Non-GAAP)	\$	198	\$	173

Reconciliation of Net Income from Continuing Operations Attributable to NCR (GAAP) to Earnings Before Interest, Depreciation, Taxes and Amortization (Adjusted EBITDA)

\$ in millions	Q2 2022		Q2 2021	
Net Income (Loss) from Continuing Operations Attributable to NCR (GAAP)	\$	35	\$	(9)
Transformation and restructuring costs		49		7
Acquisition-related amortization of intangibles		45		23
Acquisition-related costs		3		56
Depreciation and amortization (excluding acquisition-related amortization of intangibles)		104		76
Interest expense		67		61
Interest income		(2)		(1)
Income tax expense (benefit)		—		31
Stock-based compensation expense		35		37
Russia		3		—
Adjusted EBITDA (Non-GAAP)	\$	339	\$	281

Reconciliation of Diluted Earnings Per Share from Continuing Operations (GAAP) to Non-GAAP Diluted Earnings Per Share from Continuing Operations (Non-GAAP)

	Q2 2022		Q2 2021	
Diluted Earnings Per Share from Continuing Operations (GAAP) ⁽¹⁾	\$	0.22	\$	(0.10)
Transformation and restructuring costs		0.25		0.04
Acquisition-related amortization of intangibles		0.21		0.12
Acquisition-related costs		0.01		0.38
Valuation allowance release & other tax adjustments		—		0.14
Diluted Earnings Per Share from Continuing Operations (Non-GAAP) ⁽¹⁾	\$	0.71	\$	0.62

⁽¹⁾ 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.

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

\$ in millions	Q2 2022		Q2 2021	
Net cash provided by (used in) operating activities	\$	80	\$	155
Total capital expenditures		(94)		(79)
Restricted cash settlement activity		9		6
Acquisition related items		—		55
Pension contributions		5		5
Free cash flow	\$	—	\$	142

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

\$ in millions	Three months ended June 30, 2022			Six months ended June 30, 2022		
	Revenue Growth % (GAAP)	Favorable (Unfavorable) FX Impact	Revenue Growth % Constant Currency (non-GAAP)	Revenue Growth % (GAAP)	Favorable (Unfavorable) FX Impact	Revenue Growth % Constant Currency (non-GAAP)
Payments & Network	515 %	(11)%	526 %	730 %	(11)%	741 %
Digital Banking	2 %	— %	2 %	6 %	— %	6 %
Self-Service Banking	5 %	(4)%	9 %	1 %	(3)%	4 %
Retail	— %	(4)%	4 %	2 %	(4)%	6 %
Hospitality	11 %	— %	11 %	14 %	(1)%	15 %
Other	(21)%	(2)%	(19)%	(16)%	(3)%	(13)%
Eliminations	140 %	— %	140 %	100 %	— %	100 %
Total segment revenue	19 %	(3)%	22 %	20 %	(3)%	23 %
Total revenue	19 %	(4)%	23 %	20 %	(3)%	23 %
Recurring Revenue	31 %	(4)%	35 %	33 %	(3)%	36 %

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

	For the Periods Ended June 30			
	Three Months		Six Months	
	2022	2021	2022	2021
Revenue				
Product	\$ 614	\$ 551	\$ 1,130	\$ 1,033
Service	1,383	1,126	2,733	2,188
Total Revenue	1,997	1,677	3,863	3,221
Cost of products	544	453	1,036	861
Cost of services	982	768	1,945	1,490
Total gross margin	471	456	882	870
% of Revenue	23.6 %	27.2 %	22.8 %	27.0 %
Selling, general and administrative expenses	309	303	622	541
Research and development expenses	59	69	124	135
Income (loss) from operations	103	84	136	194
% of Revenue	5.2 %	5.0 %	3.5 %	6.0 %
Interest expense	(67)	(61)	(130)	(106)
Other income (expense), net	1	(1)	10	(18)
Total interest and other expense, net	(66)	(62)	(120)	(124)
Income (loss) from continuing operations before income taxes	37	22	16	70
% of Revenue	1.9 %	1.3 %	0.4 %	2.2 %
Income tax expense (benefit)	—	31	13	48
Income (loss) from continuing operations	37	(9)	3	22
Income (loss) from discontinued operations, net of tax	6	—	5	—
Net income (loss)	43	(9)	8	22
Net income (loss) attributable to noncontrolling interests	2	—	1	1
Net income (loss) attributable to NCR	\$ 41	\$ (9)	\$ 7	\$ 21
Amounts attributable to NCR common stockholders:				
Income (loss) from continuing operations	\$ 35	\$ (9)	\$ 2	\$ 21
Dividends on convertible preferred stock	(4)	(4)	(8)	(8)
Income (loss) from continuing operations attributable to NCR common stockholders	31	(13)	(6)	13
Income (loss) from discontinued operations, net of tax	6	—	5	—
Net income (loss) attributable to NCR common stockholders	\$ 37	\$ (13)	\$ (1)	\$ 13
Income (loss) per share attributable to NCR common stockholders:				
Income (loss) per common share from continuing operations				
Basic	\$ 0.23	\$ (0.10)	\$ (0.04)	\$ 0.10
Diluted ⁽¹⁾	\$ 0.22	\$ (0.10)	\$ (0.04)	\$ 0.10
Net income (loss) per common share				
Basic	\$ 0.27	\$ (0.10)	\$ (0.01)	\$ 0.10
Diluted ⁽¹⁾	\$ 0.26	\$ (0.10)	\$ (0.01)	\$ 0.10
Weighted average common shares outstanding				
Basic	136.6	131.0	136.2	130.5
Diluted ⁽¹⁾	140.8	131.0	136.2	136.1

⁽¹⁾ 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 ADJUSTED EBITDA SUMMARY
(Unaudited)
(in millions)

	For the Periods Ended June 30							
	Three Months				Six Months			
	2022	2021	% Change	% Change Constant Currency	2022	2021	% Change	% Change Constant Currency
Revenue by segment								
Payments & Network	\$ 332	\$ 54	515%	526%	\$ 631	\$ 76	730%	741%
Digital Banking	131	129	2%	2%	267	252	6%	6%
Self-Service Banking	679	645	5%	9%	1,290	1,273	1%	4%
Retail	562	562	—%	4%	1,108	1,082	2%	6%
Hospitality	238	215	11%	11%	449	394	14%	15%
Other	61	77	(21)%	(19)%	129	154	(16)%	(13)%
Eliminations	(12)	(5)	140%	140%	(20)	(10)	100%	100%
Total segment revenue	\$ 1,991	\$ 1,677	19%	22%	\$ 3,854	\$ 3,221	20%	23%
Other adjustment	6	—			9	—		
Total revenue	\$ 1,997	\$ 1,677	19%	23%	\$ 3,863	\$ 3,221	20%	23%
Adjusted EBITDA by segment								
Payments & Network	\$ 97	\$ 19	411%		\$ 195	\$ 22	786%	
<i>Payments & Network Adjusted EBITDA margin %</i>	<i>29.2%</i>	<i>35.2%</i>			<i>30.9%</i>	<i>28.9%</i>		
Digital Banking	56	55	2%		112	109	3%	
<i>Digital Banking Adjusted EBITDA margin %</i>	<i>42.7%</i>	<i>42.6%</i>			<i>41.9%</i>	<i>43.3%</i>		
Self-Service Banking	142	140	1%		254	277	(8)%	
<i>Self-Service Banking Adjusted EBITDA margin %</i>	<i>20.9%</i>	<i>21.7%</i>			<i>19.7%</i>	<i>21.8%</i>		
Retail	104	121	(14)%		171	219	(22)%	
<i>Retail Adjusted EBITDA margin %</i>	<i>18.5%</i>	<i>21.5%</i>			<i>15.4%</i>	<i>20.2%</i>		
Hospitality	46	39	18%		87	75	16%	
<i>Hospitality Adjusted EBITDA margin %</i>	<i>19.3%</i>	<i>18.1%</i>			<i>19.4%</i>	<i>19.0%</i>		
Corporate and Other ⁽¹⁾	(98)	(89)	10%		(195)	(156)	25%	
Eliminations	(8)	(4)	100%		(14)	(7)	100%	
Total Adjusted EBITDA	\$ 339	\$ 281	21%		\$ 610	\$ 539	13%	
<i>Total Adjusted EBITDA margin %</i>	<i>17.0%</i>	<i>16.8%</i>			<i>15.8%</i>	<i>16.7%</i>		

⁽¹⁾ Corporate and Other includes income and expenses related to corporate functions that are not specifically attributable to an individual reportable segment along with any immaterial operating segment(s).

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

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 398	\$ 447
Accounts receivable, net of allowances of \$26 and \$24 as of June 30, 2022 and December 31, 2021, respectively	1,085	959
Inventories	858	754
Restricted cash	255	295
Other current assets	458	421
Total current assets	3,054	2,876
Property, plant and equipment, net	640	703
Goodwill	4,575	4,519
Intangibles, net	1,250	1,316
Operating lease assets	399	419
Prepaid pension cost	283	300
Deferred income taxes	734	732
Other assets	821	776
Total assets	\$ 11,756	\$ 11,641
Liabilities and stockholders' equity		
Current liabilities		
Short-term borrowings	\$ 108	\$ 57
Accounts payable	949	826
Payroll and benefits liabilities	273	389
Contract liabilities	556	516
Settlement liabilities	242	263
Other current liabilities	705	757
Total current liabilities	2,833	2,808
Long-term debt	5,497	5,505
Pension and indemnity plan liabilities	753	789
Postretirement and postemployment benefits liabilities	119	119
Income tax accruals	108	116
Operating lease liabilities	378	388
Other liabilities	420	383
Total liabilities	10,108	10,108
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.3 issued and outstanding as of June 30, 2022 and December 31, 2021, respectively; redemption amount and liquidation preference of \$276 as of June 30, 2022 and December 31, 2021, respectively	275	274
Stockholders' equity		
NCR stockholders' equity:		
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 136.7 and 132.2 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	1	1
Paid-in capital	644	515
Retained earnings	1,030	1,031
Accumulated other comprehensive loss	(305)	(291)
Total NCR stockholders' equity	1,370	1,256
Noncontrolling interests in subsidiaries	3	3
Total stockholders' equity	1,373	1,259
Total liabilities and stockholders' equity	\$ 11,756	\$ 11,641



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

Schedule D

	For the Periods Ended June 30			
	Three Months		Six Months	
	2022	2021	2022	2021
Operating activities				
Net income (loss)	\$ 43	\$ (9)	\$ 8	\$ 22
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Income from discontinued operations	(6)	—	(5)	—
Depreciation and amortization	152	120	299	212
Stock-based compensation expense	35	37	69	81
Deferred income taxes	2	19	6	26
Loss (gain) on disposal of property, plant and equipment and other assets	—	—	2	—
Changes in assets and liabilities:				
Receivables	(80)	13	(209)	(78)
Inventories	(125)	(64)	(202)	(81)
Current payables and accrued expenses	121	100	58	134
Contract liabilities	(71)	(31)	34	43
Employee benefit plans	14	(11)	6	(21)
Other assets and liabilities	(5)	(19)	52	(28)
Net cash provided by operating activities	\$ 80	\$ 155	\$ 118	\$ 310
Investing activities				
Expenditures for property, plant and equipment	\$ (17)	\$ (20)	\$ (32)	\$ (30)
Proceeds from sale of property, plant and equipment and other assets	3	—	3	—
Additions to capitalized software	(77)	(59)	(142)	(110)
Business acquisitions, net of cash acquired	—	(2,307)	(1)	(2,464)
Purchases of short-term investments	—	(8)	—	(13)
Proceeds from sales of short-term investments	—	9	—	14
Other investing activities, net	—	(6)	(5)	(6)
Net cash used in investing activities	\$ (91)	\$ (2,391)	\$ (177)	\$ (2,609)
Financing activities				
Short term borrowings, net	\$ —	\$ —	\$ 2	\$ —
Payments on term credit facilities	(2)	(97)	(4)	(105)
Payments on revolving credit facilities	(320)	(367)	(599)	(685)
Borrowings on term credit facilities	—	1,505	—	1,505
Borrowings on revolving credit facilities	325	361	637	809
Proceeds from issuance of senior unsecured notes	—	1,200	—	1,200
Debt issuance costs and bridge commitment fees	—	(50)	—	(51)
Cash dividend paid for Series A preferred shares dividends	(4)	(4)	(8)	(8)
Proceeds from employee stock plans	8	10	14	18
Tax withholding payments on behalf of employees	—	(3)	(36)	(25)
Net change in client funds obligations	(9)	(8)	(3)	(8)
Principal payments for finance lease obligations	(4)	(4)	(8)	(8)
Other financing activities	(2)	—	(2)	(1)
Net cash provided by (used in) financing activities	\$ (8)	\$ 2,543	\$ (7)	\$ 2,641
Cash flows from discontinued operations				
Net cash provided by (used in) discontinued operations	4	(3)	—	(47)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(13)	2	(19)	(4)
Increase (decrease) in cash, cash equivalents, and restricted cash	\$ (28)	\$ 306	\$ (85)	\$ 291
Cash, cash equivalents and restricted cash at beginning of period	692	391	749	406
Cash, cash equivalents, and restricted cash at end of period	\$ 664	\$ 697	\$ 664	\$ 697



Q2 2022 EARNINGS CONFERENCE CALL

MICHAEL HAYFORD, CEO
OWEN SULLIVAN, PRESIDENT & COO
TIM OLIVER, CFO

July 27, 2022



NOTES TO INVESTORS

FORWARD-LOOKING STATEMENTS. Comments made during this conference call and in these materials contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “Act”). Forward-looking statements use words such as “expect,” “anticipate,” “outlook,” “intend,” “plan,” “confident,” “believe,” “will,” “should,” “would,” “potential,” “positioning,” “proposed,” “objective,” “could,” “may,” and words of similar meaning, as well as other words or expressions referencing future events, conditions or circumstances. We intend these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Act. 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. Examples of forward-looking statements in these materials include, without limitation, statements regarding: NCR’s focus on advancing our strategic growth initiatives and transforming NCR into a software-led as-a-service company with a higher mix of recurring revenue streams; our expectations of NCR’s ability to deliver increased value to customers and stockholders; various macroeconomic challenges that may impact our financial performance in 2022; our expectations and assumptions regarding NCR’s full year 2022 financial performance; expectations to leverage our software and payments platform to increase share of wallet; our focus on operational excellence; managing supply chain challenges; expectations regarding our evolution to a lean factory model by outsourcing manufacturing; and our strategic review to evaluate strategic alternatives to enhance shareholder value and the possible outcomes of such strategic review. 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 listed in Item 1A “Risk Factors” of NCR’s Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission (SEC) on February 25, 2022 and those factors detailed from time to time in NCR’s other SEC reports including quarterly reports on Form 10-Q and current reports on Form 8-K. These materials are dated July 27, 2022, 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, except as required by law.

NOTES TO INVESTORS

NON-GAAP MEASURES. While NCR reports its results in accordance with generally accepted accounting principles in the United States, or 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; gross margin rate (non-GAAP); diluted earnings per share (non-GAAP); free cash flow; gross margin (non-GAAP); net debt; adjusted EBITDA; the ratio of net debt to adjusted EBITDA; 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. Descriptions of many of these non-GAAP measures are also included in NCR's SEC reports.

CHANGE IN REPORTABLE SEGMENTS. Effective January 1, 2022, the Company realigned its reportable segments to correspond with changes to its operating model, management structure and organizational responsibilities. The reportable segments effective January 1, 2022 include: Payments & Network, Digital Banking, Self-Service Banking, Retail, and Hospitality. Additionally, effective January 1, 2022, the Company manages Corporate & Other, which includes income and expense that are not specifically attributable to an individual reportable segment along with any immaterial operating segment(s). Eliminations includes revenues from contracts with customers and the related costs that are reported in the Payments & Network segment as well as in the Retail or Hospitality segments, including merchant acquiring services that are monetized via payments.

USE OF CERTAIN TERMS. As used in these materials:

(i) the term "recurring revenue" includes all revenue streams from contracts where there is a predictable revenue pattern that will occur at regular intervals with a relatively high degree of certainty. This includes hardware and software maintenance revenue, cloud revenue, payment processing revenue, interchange and network revenue, and certain professional services arrangements, as well as term-based software license arrangements that include customer termination rights.

(ii) the term "annual recurring revenue" or "ARR" is recurring revenue, excluding software license sold as a subscription, for the last three months times four, plus the rolling four quarters for term-based software license arrangements that include customer termination rights.

(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.

OVERVIEW

Revenue up 23% CC Y/Y; Recurring revenue up 35% CC

Adjusted EBITDA growth of 26% CC Y/Y

Adjusted EBITDA margin 17.0%; Up 250 bps from Q1 '22

Managing supply chain challenges

Strong execution

BUSINESS UPDATE

Payments - Solid year over year growth

Digital Banking - Winning in the market

Self-Service Banking - Momentum in ATMaas

Retail - Gaining traction in NCR Emerald™

Hospitality - Strong growth in payment sites

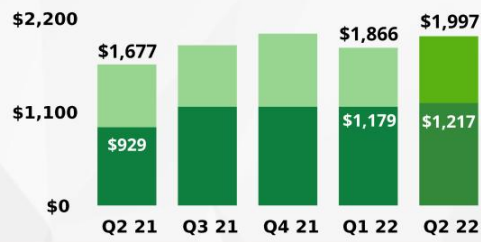
Outsourced Budapest manufacturing facility

Board-led strategic review is ongoing

Q2 2022 FINANCIAL RESULTS

\$ in millions, except for EPS

Total Revenue/Recurring



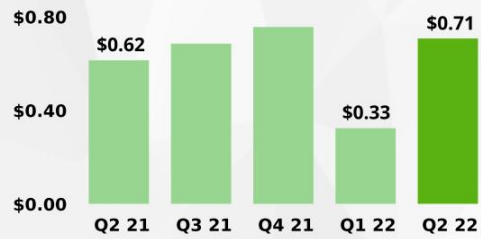
Revenue up 19% y/y as reported and up 23% CC;
Recurring revenue up 31% y/y and up 35% CC

Adjusted EBITDA



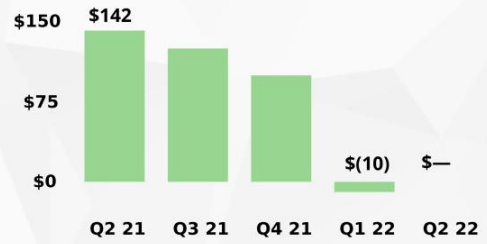
Adjusted EBITDA up 21% y/y as reported
and up 26% CC

Non-GAAP Diluted EPS



Non-GAAP diluted EPS up 15% as reported and up
29% CC; FX impact \$(0.07)

Free Cash Flow



Solid results given near-term investment in
working capital

PAYMENTS & NETWORK

\$ in millions

Revenue



Adjusted EBITDA

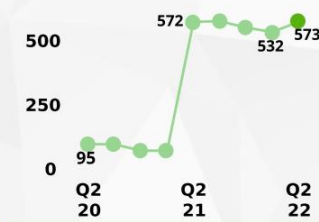


Key Metrics

Endpoints (in thousands)



Transactions (in millions)



ARR



DIGITAL BANKING

\$ in millions

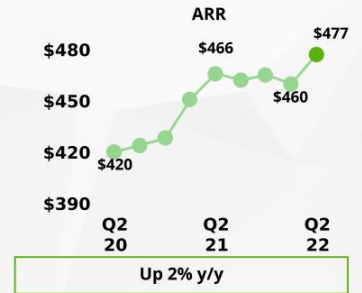
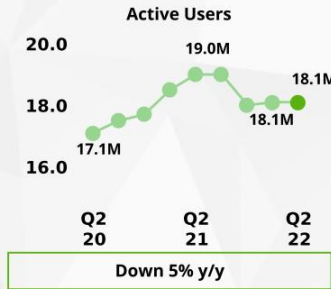
Revenue



Adjusted EBITDA



Key Metrics



SELF-SERVICE BANKING

\$ in millions, except units and percentages

Revenue



Adjusted EBITDA

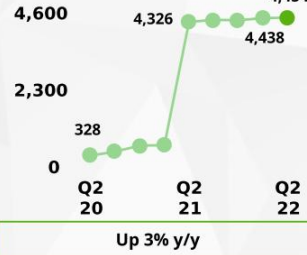


Key Metrics

Software & Services Revenue Mix



ATMaas Units



ARR



RETAIL

\$ in millions, except platform lanes

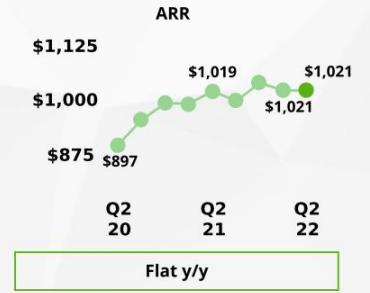
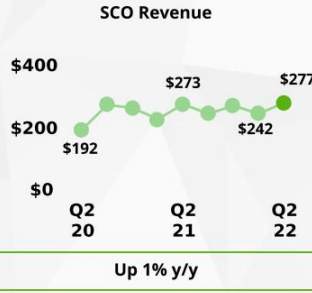
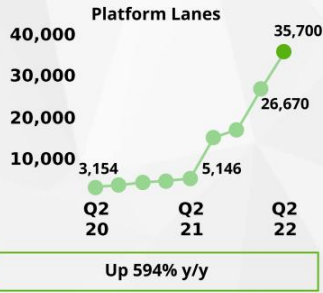
Revenue



Adjusted EBITDA



Key Metrics



HOSPITALITY

\$ in millions, except site counts

Revenue



Adjusted EBITDA



Key Metrics

Platform Sites



Payments Sites



ARR



FREE CASH FLOW, NET DEBT & EBITDA

\$ in millions

Free Cash Flow	Q2 2022	Q2 2021
Cash provided by operating activities	\$80	\$155
Less: Total capital expenditures	(\$94)	(\$79)
Plus: Restricted cash settlement activity	\$9	\$6
Plus: Pension contributions	\$5	\$5
Plus: Acquisition related items	\$—	\$55
Free Cash Flow	\$—	\$142

Net Debt & EBITDA	Q2 2022	Q1 2022
Debt	\$5,605	\$5,599
Cash	(\$398)	(\$412)
Net Debt	\$5,207	\$5,187
Adjusted EBITDA LTM	\$1,315	\$1,257
Net Debt / Adjusted EBITDA	4.0x	4.1x

LOOKING FORWARD

Continued transformation to a software-led as-a-service company

Leverage software and payments platform to increase share of wallet

Drive operational excellence

Continue board-led strategic review process to unlock shareholder value



SUPPLEMENTARY MATERIALS



Q2 2022 GAAP RESULTS

\$ in millions, except per share amounts

	Q2 2022	Q2 2021	% Change
Revenue	\$1,997	\$1,677	19%
Gross Margin	471	456	3%
Gross Margin Rate	23.6%	27.2%	
Operating Expenses	368	372	(1)%
% of Revenue	18.4%	22.2%	
Operating Income	103	84	23%
% of Revenue	5.2%	5.0%	
Interest and other expense, net	(66)	(62)	6%
Income Tax Expense (Benefit)	—	31	
Effective Income Tax Rate	—%	140.9%	
Net Income (Loss) from Continuing Operations (attributable to NCR)	\$35	\$(9)	489%
Diluted EPS from Continuing Operations	\$0.22	\$(0.10)	320%

Q2 2022 OPERATIONAL RESULTS

\$ in millions, except per share amounts

	Q2 2022	Q2 2021	% Change as Reported	% Change Adjusted Constant Currency
Revenue (non-GAAP)	\$1,991	\$1,677	19%	22%
Gross Margin (non-GAAP)	511	472	8%	12%
Gross Margin Rate (non-GAAP)	25.7%	28.1%		
Operating Expenses (non-GAAP)	313	299	5%	6%
% of Revenue	15.7%	17.8%		
Operating Income (non-GAAP)	198	173	14%	23%
% of Revenue	9.9%	10.3%		
Interest and other expense (non-GAAP)	(61)	(49)	24%	24%
Income Tax Expense (non-GAAP)	29	33	(12)%	(12)%
Effective Income Tax Rate (non-GAAP)	21.2%	26.6%		
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	\$106	\$91	16%	34%
Diluted EPS (non-GAAP)	\$0.71	\$0.62	15%	29%

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.

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, as well as other special items, including amortization of acquisition related intangibles and transformation and restructuring activities, 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 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. NCR defines free cash flow as net cash provided by (used in) operating activities less capital expenditures for property, plant and equipment, less additions to capitalized software, plus/minus restricted cash settlement activity, plus acquisition related items, less the impact from the initial sale of Trade accounts receivables under the agreement entered into during the 3rd quarter of 2021, and plus 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. Free cash flow does 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 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.

NON-GAAP MEASURES

Net Debt and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA). 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 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 Adjusted EBITDA for a given period based on its GAAP net income from continuing operations attributable to NCR plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; plus stock-based compensation expense; plus other income (expense); plus pension mark-to-market adjustments, pension settlements, pension curtailments and pension special termination benefits and other special items, including amortization of acquisition related intangibles and restructuring charges, among others. NCR uses Adjusted EBITDA to manage and measure the performance of its business segments. NCR also uses Adjusted EBITDA to manage and determine the effectiveness of its business managers and as a basis for incentive compensation. NCR believes that Adjusted EBITDA 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 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.

Special Item Related to Russia The war in Eastern Europe and related sanctions imposed on Russia and related actors by the United States and other jurisdictions required us to commence the orderly wind down of our operations in Russia beginning in the first quarter of 2022. As of June 30, 2022, we have substantially ceased operations in Russia and are in process of dissolving our only subsidiary in Russia. As a result, for the three months ending June 30, 2022, our non-GAAP presentation of the measures described above exclude the immaterial impact of our operating results in Russia, as well as the impact of impairments taken to write down the carrying value of assets and liabilities, severance charges, and the assessment of collectability on revenue recognition. We consider this to be a non-recurring special item and management has reviewed the results of its business segments excluding these impacts. We have not adjusted the presentation of the prior year period due to the immaterial impact of Russia to revenue and income from continuing operations for the three months ended June 30, 2021.

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.

GAAP TO NON-GAAP RECONCILIATION

\$ in millions

	Q2 2022	Q1 2022	Q2 2021
Net (Loss) Income from Continuing Operations Attributable to NCR (GAAP)	\$ 35	\$ (33)	\$ (9)
Transformation & Restructuring Costs	49	27	7
Acquisition-Related Amortization of Intangibles	45	41	23
Acquisition-Related Costs	3	5	56
Interest Expense	67	63	61
Interest Income	(2)	(1)	(1)
Depreciation and Amortization	104	103	76
Income Taxes	—	13	31
Stock Compensation Expense	35	34	37
Russia	3	19	—
Adjusted EBITDA (non-GAAP)	\$ 339	\$ 271	\$ 281

GAAP TO NON-GAAP RECONCILIATION

\$ in millions

	Q2 2022 LTM	Q1 2022 LTM	Q2 2021 LTM
Net (Loss) Income from Continuing Operations Attributable to NCR (GAAP)	\$ 78	\$ 34	\$ (73)
Pension Mark-to-Market Adjustments	(118)	(118)	34
Transformation & Restructuring Costs	127	85	236
Acquisition-Related Amortization of Intangibles	175	153	83
Acquisition-Related Costs	23	76	77
Loss on Debt Extinguishment	42	42	20
Interest Expense	262	256	217
Interest Income	(7)	(6)	(10)
Depreciation and Amortization	418	390	290
Income Taxes	151	182	28
Stock Compensation Expense	142	144	144
Russia	22	19	—
Adjusted EBITDA (non-GAAP)	\$ 1,315	\$ 1,257	\$ 1,046

ADJUSTED EBITDA BY SEGMENT

\$ in millions

	Q2 2022	Q1 2022	Q2 2021
Payments & Network	\$ 97	\$ 98	\$ 19
Digital Banking	56	56	55
Self-Service Banking	142	112	140
Retail	104	67	121
Hospitality	46	41	39
Corporate and Other	(98)	(97)	(89)
Eliminations	(8)	(6)	(4)
Adjusted EBITDA	\$ 339	\$ 271	\$ 281

GAAP TO NON-GAAP RECONCILIATION

Q2 2022

\$ in millions, except per share amounts

	Q2 QTD 2022 GAAP	Transform ation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Russia	Q2 QTD 2022 non-GAAP
Product revenue	\$614	\$—	\$—	\$—	\$(5)	\$609
Service revenue	1,383	—	—	—	(1)	1,382
Total revenue	1,997	—	—	—	(6)	1,991
Cost of products	544	(5)	(2)	—	(2)	535
Cost of services	982	(11)	(25)	(1)	—	945
Gross margin	471	16	27	1	(4)	511
<i>Gross margin rate</i>	23.6%	0.8%	1.4%	0.1%	(0.2)%	25.7%
Selling, general and administrative expenses	309	(25)	(18)	(2)	(2)	262
Research and development expenses	59	(8)	—	—	—	51
Total operating expenses	368	(33)	(18)	(2)	(2)	313
<i>Total operating expense as a % of revenue</i>	18.4%	(1.6)%	(0.9)%	(0.1)%	(0.1)%	15.7%
Income from operations	103	49	45	3	(2)	198
<i>Income from operations as a % of revenue</i>	5.2%	2.4%	2.2%	0.2%	(0.1)%	9.9%
Interest and Other (expense) income, net	(66)	—	—	—	5	(61)
Income from continuing operations before income taxes	37	49	45	3	3	137
Income tax (benefit) expense	—	11	14	1	3	29
<i>Effective income tax rate</i>	—%					21.2%
Income from continuing operations	37	38	31	2	—	108
Net income (loss) attributable to noncontrolling interests	2	—	—	—	—	2
Income from continuing operations (attributable to NCR)	\$35	\$38	\$31	\$2	\$—	\$106
Diluted earnings per share	\$0.22	\$0.25	\$0.21	\$0.01	\$—	\$0.71
Diluted shares outstanding	140.8					150.0

GAAP TO NON-GAAP RECONCILIATION

Q2 2022

\$ in millions, except per share amounts

	Q2 QTD 2022 GAAP	Q2 QTD 2022 non-GAAP
Income from continuing operations attributable to NCR common stockholders:		
Income from continuing operations (attributable to NCR)	\$35	\$106
Dividends on convertible preferred shares	\$(4)	\$—
Income from continuing operations attributable to NCR common stockholders	\$31	\$106
Weighted average outstanding shares:		
Weighted average diluted shares outstanding	140.8	140.8
Weighted as-if converted preferred shares	—	9.2
Total shares used in diluted earnings per share	140.8	150.0
Diluted earnings per share from continuing operations ⁽¹⁾	\$0.22	\$0.71

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends or deemed 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 2021

\$ in millions, except per share amounts

	Q2 QTD 2021 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Tax Related Items	Q2 QTD 2021 non- GAAP
Product revenue	\$551	\$—	\$—	\$—	\$—	\$551
Service revenue	1,126	—	—	—	—	1,126
Total revenue	1,677	—	—	—	—	1,677
Cost of products	453	—	(2)	—	—	451
Cost of services	768	(7)	(7)	—	—	754
Gross margin	456	7	9	—	—	472
<i>Gross margin rate</i>	<i>27.2%</i>	<i>0.4%</i>	<i>0.5%</i>	<i>—%</i>	<i>—%</i>	<i>28.1%</i>
Selling, general and administrative expenses	303	(1)	(14)	(59)	—	229
Research and development expenses	69	1	—	—	—	70
Total expenses	372	—	(14)	(59)	—	299
<i>Total expense as a % of revenue</i>	<i>22.2%</i>	<i>—%</i>	<i>(0.8)%</i>	<i>(3.5)%</i>	<i>—%</i>	<i>17.8%</i>
Income from operations	84	7	23	59	—	173
Income from operations as a % of revenue	5.0%	0.4%	1.4%	3.5%	—%	10.3%
Interest and Other (expense) income, net	(62)	—	—	13	—	(49)
Income from continuing operations before income taxes	22	7	23	72	—	124
Income tax expense	31	1	5	16	(20)	33
<i>Effective income tax rate</i>	<i>140.9%</i>					<i>26.6%</i>
Income from continuing operations	(9)	6	18	56	20	91
Net income attributable to noncontrolling interests	—	—	—	—	—	—
Income from continuing operations (attributable to NCR)	\$(9)	\$6	\$18	\$56	\$20	\$91
Diluted (loss) earnings per share	\$(0.10)	\$0.04	\$0.12	\$0.38	\$0.14	\$0.62
Diluted shares outstanding	131.0					146.2

GAAP TO NON-GAAP RECONCILIATION

Q2 2021

\$ in millions, except per share amounts

	Q2 QTD 2021 GAAP	Q2 QTD 2021 non-GAAP
Income from continuing operations attributable to NCR common stockholders:		
Income from continuing operations (attributable to NCR)	\$ (9)	\$ 91
Dividends on convertible preferred shares	(4)	—
Income from continuing operations attributable to NCR common stockholders	\$ (13)	\$ 91
Weighted average outstanding shares:		
Weighted average diluted shares outstanding	131.0	137.0
Weighted as-if converted preferred shares	—	9.2
Total shares used in diluted earnings per share	131.0	146.2
Diluted earnings per share from continuing operations⁽¹⁾	\$ (0.10)	\$ 0.62

⁽¹⁾ GAAP EPS is determined using the most dilutive measure, either including the impact of the dividends or deemed 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

\$ in millions

	Q2 2022	Q1 2022	Q2 2021
Cash provided by operating activities	\$80	\$38	\$155
Less: Total capital expenditures	\$(94)	\$(80)	\$(79)
Plus: Pension contributions	\$5	\$4	\$5
Plus: Restricted Cash Settlement Activity	\$9	\$28	\$6
Plus: Acquisition Related Items	\$—	\$—	\$55
Free Cash Flow	\$—	\$(10)	\$142

GAAP TO NON-GAAP RECONCILIATION

\$ in millions, except per share amounts

Q2 2022 Operational Results	% Change as Reported	Favorable (Unfavorable) FX Impact	% Change Adjusted Constant Currency
Revenue (non-GAAP)	19%	(3)%	22%
Gross Margin (non-GAAP)	8%	(4)%	12%
Operating Expenses (non-GAAP)	5%	(1)%	6%
Operating Income (non-GAAP)	14%	(9)%	23%
Interest and other expense (non-GAAP)	24%	—%	24%
Income Tax Expense (non-GAAP)	(12)%	—%	(12)%
Net Income (Loss) From Continuing Operations (attributable to NCR) (non-GAAP)	16%	(18)%	34%
Diluted EPS (non-GAAP)	15%	(14)%	29%
Recurring Revenue	31%	(4)%	35%
Adjusted EBITDA	21%	(5)%	26%



THANK YOU



