

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): February 7, 2019



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 February 7, 2019, the Company issued a press release setting forth its fourth quarter and full year 2018 financial results along with its fiscal year 2019 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 February 7, 2019, the Company will hold its previously announced conference call to discuss its fourth quarter and full year 2018 results and fiscal year 2019 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 February 7, 2019
99.2	Supplemental materials, dated February 7, 2019

Index to Exhibits

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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/ Andre Fernandez
Andre Fernandez
Executive Vice President and Chief Financial Officer

Date: February 7, 2019



February 7, 2019

NCR Announces Fourth Quarter and Full Year 2018 Results

ATLANTA - NCR Corporation (NYSE: NCR) reported financial results today for the three months ended December 31, 2018. Fourth quarter, full year and other recent highlights include:

- **Fourth quarter revenue of \$1.80 billion, up 1% as reported; Full year revenue of \$6.41 billion, down 2% as reported**
- **Fourth quarter GAAP diluted EPS of \$(0.39); Fourth quarter non-GAAP diluted EPS of \$0.84**
- **Full year GAAP diluted EPS of \$(0.72); Full year non-GAAP diluted EPS of \$2.62**
- **Fourth quarter services revenue up 2% and gross margin expansion of 250 basis points**
- **Full year cash from operations of \$572 million and free cash flow of \$223 million**
- **Completed planned acquisition of JetPay to expand our offerings to include end-to-end payment processing**
- **Program to achieve at least \$100 million cost savings in 2019 is on track**
- **2019 guidance announced, including return to revenue growth**

“In 2018 we made progress in our efforts to build a stronger and more efficient NCR and our fourth quarter results were indicative of the early success as we continue to improve our execution and stabilize our business,” said Michael Hayford, President and Chief Executive Officer. “Our work to simplify and stream line NCR is delivering results. During the fourth quarter, we achieved a significant ramp-up in hardware production, which demonstrates our success restructuring our manufacturing network. In addition, our Services business continues to generate improved margin performance through the ongoing implementation of our transformation initiatives.”

Mr. Hayford concluded, “Looking ahead, we enter 2019 with positive momentum and a commitment to return to growth by investing in our future while also reducing our cost structure. We are elevating our investment in digital-focused strategic growth platforms as we look to accelerate our mix shift to recurring software and services revenues. These investments will be supported by the addition of JetPay, which gives us an end-to-end payments platform and unlocks incremental recurring revenue streams. We are confident the further execution of our strategy will deliver competitive differentiation to our customers, strengthen our long-term growth profile and drive increased value creation for our 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" 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.

Fourth Quarter 2018 Operating Results

Revenue

Fourth quarter revenue of \$1.80 billion was up 1% year-over-year. Foreign currency fluctuations had an unfavorable impact on the revenue comparison of 2%.

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

\$ in millions	Q4 2018	Q4 2017	% Change	% Change Constant Currency
Software License	\$ 90	\$ 95	(5%)	(4%)
Software Maintenance	90	96	(6%)	(5%)
Cloud	163	156	4%	5%
Professional Services	159	161	(1%)	1%
Software Revenue	\$ 502	\$ 508	(1%)	—%
Services Revenue	\$ 633	\$ 619	2%	5%
ATM	\$ 367	\$ 303	21%	26%
SCO	110	131	(16%)	(16%)
POS	189	218	(13%)	(12%)
IPS	—	3	(100%)	(100%)
Hardware Revenue	\$ 666	\$ 655	2%	4%
Total Revenue	\$ 1,801	\$ 1,782	1%	3%

Software revenue was flat on a constant currency basis driven by lower software license and software maintenance, partially offset by growth in cloud revenue.

Services revenue was up 5% on a constant currency basis driven by continued momentum in managed service offerings and implementation services.

Hardware revenue was up 4% on a constant currency basis. ATM revenue increased 26% on a constant currency basis primarily due to higher backlog conversion as we significantly ramped production. SCO revenue decreased 16% on a constant currency basis due to the timing of customer roll-outs. POS revenue decreased 12% on a constant currency basis in the quarter compared to growth of 20% on a constant currency basis in the prior year, which benefited from several large customer wins.

Gross Margin

Fourth quarter gross margin of \$442 million decreased from \$510 million in the prior year period. Gross margin rate was 24.5%, down from 28.6%. The decrease in gross margin was primarily due to higher operating costs in the Hardware segment as well as restructuring and transformation charges of \$48 million incurred during the fourth quarter of 2018.

Fourth quarter gross margin (non-GAAP) of \$495 million decreased from \$523 million in the prior year period. Gross margin rate (non-GAAP) was 27.5%, down from 29.3%. The decrease in gross margin (non-GAAP) was primarily due to higher operating costs in the Hardware segment.

Expenses

Fourth quarter operating expenses of \$379 million increased from \$308 million in the prior year period. The increase in operating expenses was primarily due to restructuring and transformation expenses of \$77 million incurred during the fourth quarter of 2018.

Fourth quarter operating expenses (non-GAAP) of \$281 million decreased from \$287 million in the prior period. The decrease in operating expenses (non-GAAP) was due to cost reduction benefits realized, partially offset by higher employee-related expenses.

Operating Income

Fourth quarter income from operations of \$63 million decreased from \$202 million in the prior year period. Income from operations reflected restructuring and transformation expenses of \$125 million incurred during the fourth quarter of 2018.

Fourth quarter operating income (non-GAAP) of \$214 million decreased from \$236 million in the prior period. Operating income (non-GAAP) reflected lower profit in the Hardware segment and higher employee related expenses.

Other (Expense)

Fourth quarter other (expense) of \$3 million decreased from \$71 million in the prior period. The pension mark to market adjustment was income of \$45 million in the fourth quarter of 2018 compared to expense of \$28 million in the fourth quarter of 2017. Fourth quarter other (expense) (non-GAAP) of \$48 million increased from \$43 million compared to the prior year period due to higher interest expense.

Income Tax Expense (Benefit)

Fourth quarter income tax expense of \$93 million decreased from \$164 million in the prior year period. The fourth quarter effective income tax rate was 155% compared to 125% in the prior year period. Income tax decreased primarily due to lower income before taxes in the quarter and the impact of U.S. tax reform.

Fourth quarter income tax expense (non-GAAP) of \$40 million decreased from \$49 million in the prior year period. The fourth quarter effective income tax rate (non-GAAP) was 24% compared to 25% in the prior year period. Income tax (non-GAAP) decreased primarily due to lower income before taxes in the quarter.

Net Loss from Continuing Operations Attributable to NCR

Fourth quarter net loss from continuing operations attributable to NCR of \$33 million increased from net loss from continuing operations of \$35 million in the prior year period. Fourth quarter net income from continuing operations attributable to NCR (non-GAAP) of \$126 million decreased from \$142 million in the prior year period.

Cash Flow

Fourth quarter cash provided by operating activities of \$409 million decreased from cash provided by operating activities of \$482 million in the prior year period. Free cash flow was \$317 million in the fourth quarter of 2018 as compared to \$400 million in the fourth quarter of 2017. The decreases were due to lower earnings in the fourth quarter of 2018 and higher inventory as a result of the hardware initiatives.

Full Year 2018 Operating Results

Full year 2018 revenue of \$6.41 billion was down 2% from 2017. Foreign currency fluctuations did not have an impact on the full year revenue comparison.

Full year 2018 GAAP diluted EPS of \$(0.72) was down from \$1.01 in 2017. Full year 2018 diluted EPS (non-GAAP) of \$2.62 was down from \$3.20 in 2017.

Full year cash provided by operating activities was \$572 million and full year free cash flow was \$223 million.

Restructuring and Transformation Initiatives

Our previously announced restructuring and transformation initiatives continue to progress on track. In Services, our performance and profit improvement program continues to deliver revenue growth and margin expansion. In Hardware, we are continuing the move to a more variable cost structure by reducing the number of manufacturing plants and ramping up production with contract manufacturers.

In order to focus the organization on the strategic growth areas, in the fourth quarter of 2018, we announced a spend optimization program to drive cost savings through operational efficiencies to generate at least \$100 million of savings in 2019. These initiatives will create efficiencies in our corporate functions, reduce spend in the non-strategic areas and limit discretionary spending. We incurred a pre-tax charge of \$64 million during the fourth quarter of 2018 and expect to incur an additional \$30 million in 2019 for a total pre-tax charge of approximately \$94 million. The cash impact of this program was \$19 million during the fourth quarter of 2018 and is expected to be an additional \$40 million to \$50 million in 2019 for a total cash impact of approximately \$60 million to \$70 million.

Full Year 2019 Outlook

In 2019, our revenue growth is expected to be approximately 1% to 2%. Our GAAP diluted earnings per share guidance is expected to be \$1.91 to \$2.01, and our non-GAAP diluted earnings per share guidance is expected to be \$2.75 to \$2.85. Non-GAAP diluted earnings per share guidance assumes an effective tax rate of 23% to 24% for 2019 compared to 19% in 2018. We expect net income attributable to NCR to be \$290 million to \$305 million and adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA) to be \$1.04 billion to \$1.08 billion. Additionally, we expect cash flow from operations to be \$705 million to \$730 million and free cash flow to be \$300 million to \$350 million.

2018 Fourth Quarter Earnings Conference Call

A conference call is scheduled for today at 4:30 p.m. (EDT) to discuss the fourth quarter 2018 results and guidance for full year 2019. 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 2136365.

More information on NCR's Q4 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 leading software- and services-led enterprise provider in the financial, retail, hospitality, telecom and technology industries. NCR is headquartered in Atlanta, Ga., with 34,000 employees and does business in 180 countries. 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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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 financial guidance and outlook (including the section entitled “Full Year 2019 Outlook” and the table entitled “Reconciliation of Diluted Earnings (Loss) Per Share from Continuing Operations (GAAP) to Non-GAAP Diluted Earnings Per Share from Continuing Operations (non-GAAP)”); NCR’s areas of focus on strategic growth and expected results and impact of its spend optimization program in 2019; NCR’s expected areas of focus to drive growth and create long-term stockholder value; NCR’s plans to diversify revenue and streamline costs; expectations regarding the acquisition of JetPay, including the expansion of NCR’s offerings to include end-to-end payment solutions; NCR’s cost savings program and its expected benefits in 2019; expectations regarding ATM production rates and ATM revenues; NCR’s expected free cash flow generation and capital allocation strategy; earnings per share; the effective tax rate in 2019; and the 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 and pricing 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 U.S. 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.

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) 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 net income attributable to NCR plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; 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.

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	Q4 2018		Q4 2017	
Gross Margin (GAAP)	\$	442	\$	510
Transformation and restructuring costs		48		—
Acquisition-related amortization of intangibles		5		13
Gross Margin (Non-GAAP)	\$	495	\$	523

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

	Q4 2018		Q4 2017	
Gross Margin Rate (GAAP)		24.5%		28.6%
Transformation and restructuring costs		2.7%		—%
Acquisition-related amortization of intangibles		0.3%		0.7%
Gross Margin Rate (Non-GAAP)		27.5%		29.3%

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

\$ in millions	Q4 2018		Q4 2017	
Operating Expenses (GAAP)	\$	379	\$	308
Transformation and restructuring costs		(77)		(3)
Acquisition-related amortization of intangibles		(16)		(16)
Acquisition-related costs		(5)		(2)
Operating Expenses (Non-GAAP)	\$	281	\$	287

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

\$ in millions	Q4 2018		Q4 2017	
Income from Operations (GAAP)	\$	63	\$	202
Transformation and restructuring costs		125		3
Acquisition-related amortization of intangibles		21		29
Acquisition-related costs		5		2
Operating Income (Non-GAAP)	\$	214	\$	236

Reconciliation of Other Income (Expense) (GAAP) to Other Income (Expense) (non-GAAP)

\$ in millions	Q4 2018		Q4 2017	
Other Income (Expense) (GAAP)	\$	(3)	\$	(71)
Pension mark-to-market adjustments		(45)		28
Other Income (Expense) (Non-GAAP)	\$	(48)	\$	(43)

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

\$ in millions	Q4 2018		Q4 2017	
Income Tax Expense (Benefit) (GAAP)	\$	93	\$	164
Transformation and restructuring costs		29		2
Acquisition-related amortization of intangibles		3		9
Acquisition-related costs		1		1
Pension mark-to-market adjustments		(1)		3
Impact of U.S. tax reform		(85)		(130)
Income Tax Expense (Non-GAAP)	\$	40	\$	49

**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	Q4 2018		Q4 2017	
Net Income from Continuing Operations Attributable to NCR (GAAP)	\$	(33)	\$	(35)
Transformation and restructuring costs		96		1
Acquisition-related amortization of intangibles		18		20
Acquisition-related costs		4		1
Pension mark-to-market adjustments		(44)		25
Impact of U.S. tax reform		85		130
Net Income from Continuing Operations Attributable to NCR (Non-GAAP)	\$	126	\$	142

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

	Q4 2018 Actual	Q4 2017 Actual	2018 Actual	2017 Actual	2019 Guidance ⁽²⁾
Diluted Earnings Per Share (GAAP) ⁽¹⁾	\$ (0.39)	\$ (0.38)	\$ (0.72)	\$ 1.01	\$1.91 - \$2.01
Transformation & restructuring costs	0.64	0.01	1.21	0.13	0.31
Goodwill & long-lived asset impairment charges	—	—	1.16	—	—
Acquisition-related amortization of intangibles	0.12	0.13	0.45	0.51	0.48
Acquisition-related costs	0.03	0.01	0.03	0.02	0.05
Pension mark-to-market adjustments	(0.29)	0.16	(0.29)	0.16	—
Impact of U.S. tax reform	0.57	0.85	0.30	0.84	—
Diluted Earnings Per Share (non-GAAP) ⁽¹⁾	\$ 0.84	\$ 0.92	\$ 2.62	\$ 3.20	\$2.75 - \$2.85

⁽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.

⁽²⁾ 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 Income (Loss) from Continuing Operations Attributable to NCR (GAAP) to Earnings Before Interest, Depreciation, Taxes and Amortization (Adjusted EBITDA)

\$ in millions	2019 Guidance
Net Income Attributable to NCR (GAAP)	\$290 - \$305
Transformation & Restructuring costs	60
Acquisition-related amortization of intangibles	95
Acquisition-related costs	10
Interest	180 - 195
Taxes	85 - 95
Depreciation & Amortization (excluding acquisition-related amortization of intangibles)	240
Stock Compensation	80
Adjusted EBITDA (Non-GAAP)	\$1,040 - \$1,080

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

\$ in millions	Q4 2018 QTD	Q4 2017 QTD	Q4 2018 YTD	Q4 2017 YTD
Net cash provided by operating activities	\$ 409	\$ 482	\$ 572	\$ 752
Total capital expenditures	(79)	(88)	(313)	(294)
Net cash used in discontinued operations	(13)	6	(36)	(8)
Free cash flow	\$ 317	\$ 400	\$ 223	\$ 450

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

	Three months ended December 31, 2018		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)
Software License	(5)%	(1)%	(4)%
Software Maintenance	(6)%	(1)%	(5)%
Cloud	4%	(1)%	5%
Professional Services	(1)%	(2)%	1%
Software	(1)%	(1)%	—%
Services	2%	(3)%	5%
ATM	21%	(5)%	26%
SCO	(16)%	—%	(16)%
POS	(13)%	(1)%	(12)%
IPS	(100)%	—%	(100)%
Hardware	2%	(2)%	4%
Total Revenue	1%	(2)%	3%

	Twelve months ended December 31, 2018		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software	1%	—%	1%
Services	4%	—%	4%
Hardware	(9)%	—%	(9)%
Total Revenue	(2)%	—%	(2)%

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

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2018	2017	2018	2017
Revenue				
Products	\$ 756	\$ 750	\$ 2,341	\$ 2,579
Services	1,045	1,032	4,064	3,937
Total Revenue	1,801	1,782	6,405	6,516
Cost of products	644	591	1,988	2,021
Cost of services	715	681	2,742	2,640
Total gross margin	442	510	1,675	1,855
<i>% of Revenue</i>	<i>24.5%</i>	<i>28.6%</i>	<i>26.2%</i>	<i>28.5%</i>
Selling, general and administrative expenses	273	245	1,005	923
Research and development expenses	62	63	252	241
Asset impairment charges	44	—	227	—
Income from operations	63	202	191	691
<i>% of Revenue</i>	<i>3.5%</i>	<i>11.3%</i>	<i>3.0%</i>	<i>10.6%</i>
Interest expense	(43)	(41)	(168)	(163)
Other (expense), net	40	(30)	16	(46)
Total other (expense), net	(3)	(71)	(152)	(209)
Income (loss) before income taxes and discontinued operations	60	131	39	482
<i>% of Revenue</i>	<i>3.3%</i>	<i>7.4%</i>	<i>0.6%</i>	<i>7.4%</i>
Income tax (benefit) expense	93	164	73	242
Income (loss) from continuing operations	(33)	(33)	(34)	240
Income (loss) from discontinued operations, net of tax	(14)	(10)	(52)	(5)
Net income (loss)	(47)	(43)	(86)	235
Net income (loss) attributable to noncontrolling interests	—	2	2	3
Net income (loss) attributable to NCR	\$ (47)	\$ (45)	\$ (88)	\$ 232
Amounts attributable to NCR common stockholders:				
Income (loss) from continuing operations	\$ (33)	\$ (35)	\$ (36)	\$ 237
Dividends on convertible preferred stock	(13)	(11)	(49)	(47)
Deemed dividend on modification of convertible preferred stock	—	—	—	(4)
Deemed dividend on convertible preferred shares related to redemption	—	—	—	(58)
Net income (loss) from continuing operations attributable to NCR common stockholders	(46)	(46)	(85)	128
Income (loss) from discontinued operations, net of tax	(14)	(10)	(52)	(5)
Net income (loss) attributable to NCR common stockholders	\$ (60)	\$ (56)	\$ (137)	\$ 123
Net income (loss) per share attributable to NCR common stockholders:				
Net income (loss) per common share from continuing operations				
Basic	\$ (0.39)	\$ (0.38)	\$ (0.72)	\$ 1.05
Diluted ⁽¹⁾	\$ (0.39)	\$ (0.38)	\$ (0.72)	\$ 1.01
Net income (loss) per common share				
Basic	\$ (0.51)	\$ (0.46)	\$ (1.16)	\$ 1.01
Diluted ⁽¹⁾	\$ (0.51)	\$ (0.46)	\$ (1.16)	\$ 0.97
Weighted average common shares outstanding				
Basic	118.6	121.9	118.4	121.9
Diluted ⁽¹⁾	118.6	121.9	118.4	127.0

⁽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 OPERATING INCOME SUMMARY
(Unaudited)
(in millions)

Schedule B

For the Periods Ended December 31

	Three Months				Twelve Months			
	2018	2017	% Change	% Change Constant Currency	2018	2017	% Change	% Change Constant Currency
Revenue by segment								
Software	\$ 502	\$ 508	(1)%	—%	\$ 1,912	\$ 1,900	1%	1%
<i>Software Gross Margin Rate</i>	<i>48.8 %</i>	<i>52.8 %</i>			<i>47.9 %</i>	<i>50.9 %</i>		
Services	633	619	2%	5%	2,460	2,373	4%	4%
<i>Services Gross Margin Rate</i>	<i>27.2 %</i>	<i>24.7 %</i>			<i>26.0 %</i>	<i>24.5 %</i>		
Hardware	666	655	2%	4%	2,033	2,243	(9)%	(9)%
<i>Hardware Gross Margin Rate</i>	<i>11.7 %</i>	<i>15.6 %</i>			<i>12.1 %</i>	<i>16.4 %</i>		
Total Revenue	\$ 1,801	\$ 1,782	1%	3%	\$ 6,405	\$ 6,516	(2)%	(2)%
Gross Margin Rate	27.5 %	29.3 %			28.1 %	29.4 %		
Operating income (loss) by segment								
Software	\$ 141	\$ 164			\$ 492	\$ 563		
<i>% of Revenue</i>	<i>28.1 %</i>	<i>32.3 %</i>			<i>25.7 %</i>	<i>29.6 %</i>		
Services	92	76			321	282		
<i>% of Revenue</i>	<i>14.5 %</i>	<i>12.3 %</i>			<i>13.0 %</i>	<i>11.9 %</i>		
Hardware	(19)	(4)			(125)	(5)		
<i>% of Revenue</i>	<i>(2.9)%</i>	<i>(0.6)%</i>			<i>(6.1)%</i>	<i>(0.2)%</i>		
Subtotal-segment operating income	\$ 214	\$ 236			\$ 688	\$ 840		
<i>% of Revenue</i>	<i>11.9 %</i>	<i>13.2 %</i>			<i>10.7 %</i>	<i>12.9 %</i>		
Other adjustments ⁽¹⁾	151	34			497	149		
Total income from operations	\$ 63	\$ 202			\$ 191	\$ 691		

⁽¹⁾ The following table presents the other adjustments for NCR:

In millions	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2018	2017	2018	2017
Transformation and restructuring costs	\$ 125	\$ 3	\$ 223	\$ 29
Goodwill and long-lived asset impairments	—	—	183	—
Acquisition-related amortization of intangible assets	21	29	85	115
Acquisition-related costs	5	2	6	5
Total other adjustments	\$ 151	\$ 34	\$ 497	\$ 149



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

Schedule C

	December 31, 2018	September 30, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents	\$ 464	\$ 334	\$ 537
Accounts receivable, net	1,356	1,309	1,270
Inventories	806	916	780
Other current assets	397	296	243
Total current assets	3,023	2,855	2,830
Property, plant and equipment, net	359	348	341
Goodwill	2,692	2,589	2,741
Intangibles, net	595	501	578
Prepaid pension cost	140	133	118
Deferred income taxes	448	488	460
Other assets	504	591	586
Total assets	\$ 7,761	\$ 7,505	\$ 7,654
Liabilities and stockholders' equity			
Current liabilities			
Short-term borrowings	\$ 185	\$ 246	\$ 52
Accounts payable	897	804	762
Payroll and benefits liabilities	238	225	219
Contract liabilities	461	427	458
Other current liabilities	501	302	398
Total current liabilities	2,282	2,004	1,889
Long-term debt	2,980	2,881	2,939
Pension and indemnity plan liabilities	759	803	798
Postretirement and postemployment benefits liabilities	118	130	133
Income tax accruals	91	118	148
Other liabilities	259	261	200
Total liabilities	6,489	6,197	6,107
Redeemable noncontrolling interests	14	14	15
Series A convertible preferred stock: par value \$0.01 per share, 3.0 shares authorized, 0.9, 0.9 and 0.8 shares issued and outstanding as of December 31, 2018, September 30, 2018 and December 31, 2017	859	846	810
Stockholders' equity			
NCR stockholders' equity:			
Preferred stock: par value \$0.01 per share, 100.0 shares authorized, no shares issued and outstanding as of December 31, 2018, September 30, 2018 and December 31, 2017	—	—	—
Common stock: par value \$0.01 per share, 500.0 shares authorized, 118.7, 118.0 and 122.0 shares issued and outstanding as of December 31, 2018, September 30, 2018 and December 31, 2017	1	1	1
Paid-in capital	34	19	60
Retained earnings	606	666	857
Accumulated other comprehensive loss	(246)	(242)	(199)
Total NCR stockholders' equity	395	444	719
Noncontrolling interests in subsidiaries	4	4	3
Total stockholders' equity	399	448	722
Total liabilities and stockholders' equity	\$ 7,761	\$ 7,505	\$ 7,654

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

	For the Periods Ended December 31			
	Three Months		Twelve Months	
	2018	2017	2018	2017
Operating activities				
Net income (loss)	\$ (47)	\$ (43)	\$ (86)	\$ 235
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Loss (income) from discontinued operations	14	10	52	5
Depreciation and amortization	81	91	330	354
Stock-based compensation expense	17	17	72	77
Deferred income taxes	29	154	14	173
Gain on sale of property, plant and equipment and other assets	—	(1)	(2)	(3)
Impairment of long-lived and other assets	46	—	239	1
Changes in assets and liabilities:				
Receivables	(53)	136	(155)	29
Inventories	112	52	(70)	(68)
Current payables and accrued expenses	167	54	198	(78)
Contract liabilities	23	(10)	(13)	10
Employee benefit plans	(42)	9	(60)	(4)
Other assets and liabilities	62	13	53	21
Net cash provided by operating activities	409	482	572	752
Investing activities				
Expenditures for property, plant and equipment	(39)	(47)	(143)	(128)
Proceeds from sales of property, plant and equipment	—	—	3	6
Additions to capitalized software	(40)	(41)	(170)	(166)
Business acquisition, net	(206)	(8)	(206)	(8)
Proceeds from divestiture	—	3	—	3
Other investing activities, net	—	3	(4)	3
Net cash used in investing activities	(285)	(90)	(520)	(290)
Financing activities				
Short term borrowings, net	(8)	(14)	(1)	(4)
Payments on term credit facilities	—	(24)	(51)	(61)
Payments on revolving credit facilities	(800)	(830)	(2,233)	(1,940)
Borrowings on revolving credit facilities	845	605	2,453	1,940
Repurchases of Company common stock	—	—	(210)	(350)
Proceeds from employee stock plans	4	4	20	15
Tax withholding payments on behalf of employees	(6)	(7)	(36)	(31)
Other financing activities	—	(2)	—	(3)
Net cash provided by (used in) financing activities	35	(268)	(58)	(434)
Cash flows from discontinued operations				
Net cash used in discontinued operations	(13)	6	(36)	(8)
Effect of exchange rate changes on cash and cash equivalents	(13)	—	(25)	16
Decrease in cash, cash equivalents, and restricted cash	133	130	(67)	36
Cash, cash equivalents and restricted cash at beginning of period	343	413	543	507
Cash, cash equivalents, and restricted cash at end of period	\$ 476	\$ 543	\$ 476	\$ 543

Q4 2018 EARNINGS CONFERENCE CALL

MICHAEL HAYFORD, PRESIDENT & CEO
OWEN SULLIVAN, COO
ANDRE FERNANDEZ, CFO

February 7, 2019



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 full year 2019 financial guidance and the expected type and magnitude of the non-operational adjustments included in any forward-looking non-GAAP measures; NCR's strategy and expected areas of focus to drive stockholder value creation including strategic growth platforms, revenue shift and spend optimization, and related expected investments and results; areas of focus to improve productivity; completed and targeted mergers and acquisitions and their expected benefits; expectations for future merger and acquisition activity; NCR's investment priorities, Services and Hardware Operations transformation activities and cost optimization initiatives, and their expected benefits in 2019; stock repurchases for dilution, capital expenditures and capital allocations in 2019; 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 February 7, 2019, 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 (CC) basis; gross margin rate (non-GAAP); diluted earnings per share (non-GAAP); free cash flow (FCF); 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.

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; (iii) the term "CC" means constant currency; and (iv) the term "FCF" means free cash flow.

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

- 1 **RESULTS IN LINE** with expectations
- 2 Continued to **IMPROVE EXECUTION** and **STABILIZE** the business
- 3 Services continued **MARGIN EXPANSION**
- 4 Entered **PAYMENTS** through acquisition of JetPay
- 5 **2019 GUIDANCE:** Revenue growth 1-2%; Non-GAAP EPS \$2.75-\$2.85; FCF \$300M- \$350M

STRATEGIC THESIS

NCR Shareholder Value Creation will be driven by:



**Top-Line
Revenue Growth**



**Mix shift
to Software
& Services**



**Spend
Optimization**

STRATEGIC GROWTH PLATFORMS



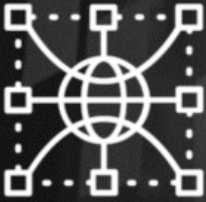
Digital
First
Banking



Digital
First
Restaurant



Digital
First
Retail



Digital
Connected
Services



Digital
Convenience
and Fuel



Digital
Small
Business
Essentials

PRODUCTIVITY FOCUS AREAS

Services Transformation

- Service performance and productivity initiatives
- Driving revenue and GM expansion

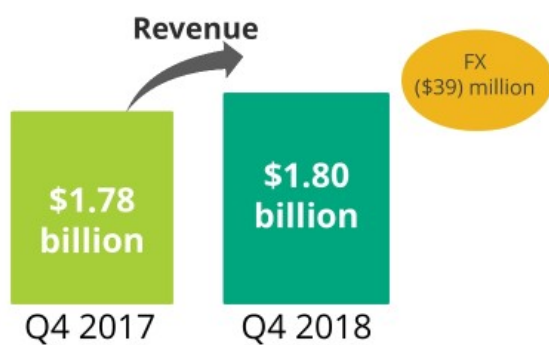
Hardware Network

- Executing manufacturing transformation initiatives
- Higher utilization rates and more variable cost structure

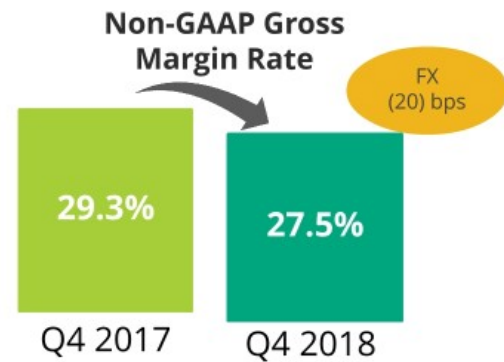
SG&A & Opex

- Reduce SG&A and discretionary spend with at least \$100M of savings in 2019

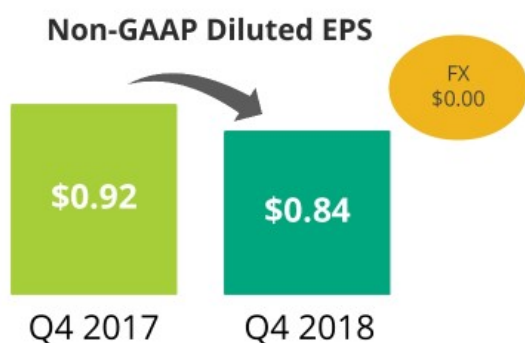
Q4 2018 FINANCIAL RESULTS



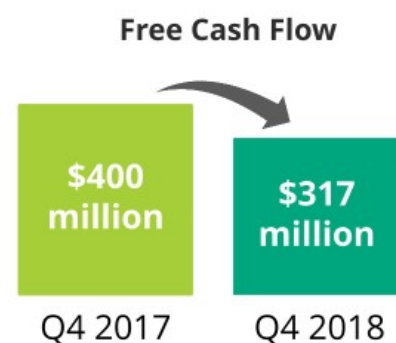
Revenue up 1% as reported and up 3% CC;
Recurring revenue up 1%, 42% of total revenue



Non-GAAP gross margin rate down 180 bps as reported and down 200 bps CC

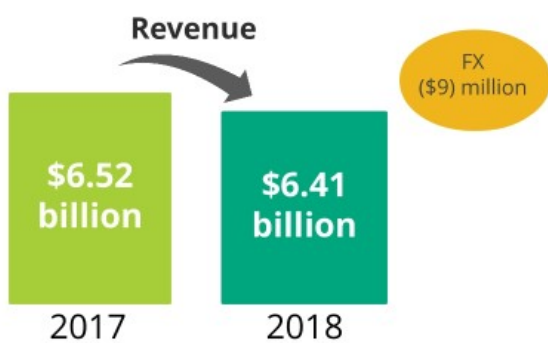


Non-GAAP Diluted EPS down due to increased costs

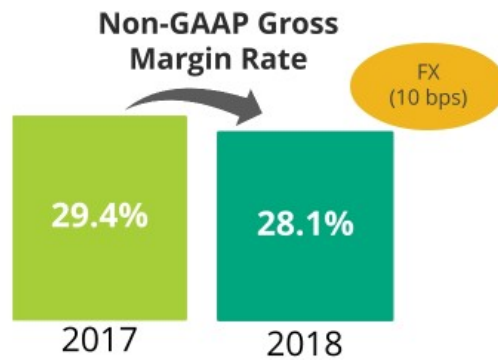


Free Cash Flow down due to lower earnings and higher working capital

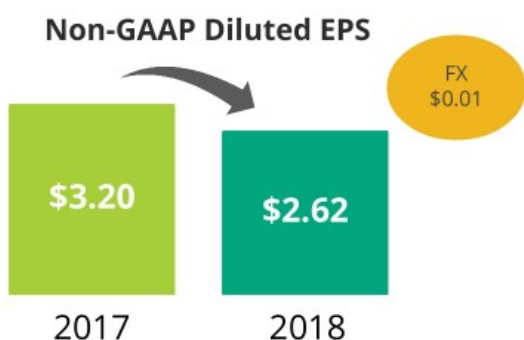
FY 2018 FINANCIAL RESULTS



Revenue down 2% as reported and CC;
Recurring revenue up 3%, 46% of total revenue



Non-GAAP gross margin rate down 130 bps as reported and down 140 bps CC



Non-GAAP Diluted EPS down due to lower revenue and increased costs



Free Cash Flow down due to lower earnings and higher working capital

SOFTWARE

Q4 2018 Update

	Q4 2018	Q4 2017	% Change	% Change CC
Software License	\$90	\$95	(5)%	(4)%
<i>Attached License</i>	41	37	11%	16%
<i>Unattached License</i>	49	58	(16)%	(16)%
Software Maintenance	90	96	(6)%	(5)%
Cloud	163	156	4%	5%
Professional Services	159	161	(1)%	1%
Software Revenue	\$502	\$508	(1)%	—%
Software Gross Margin	\$245	\$268	(9)%	(7)%
Software Gross Margin Rate	48.8%	52.8%	(400) bps	(400) bps
Operating Income	\$141	\$164	(14)%	(13)%
Operating Income as a % of Revenue	28.1%	32.3%	(420) bps	(430) bps

KEY HIGHLIGHTS

\$ in millions

- Software License down 4% CC with lower unattached license revenue, partially offset by increases in attached license revenue
- Software maintenance revenue down 5% CC due to lower software license revenue from prior periods
- Cloud revenue up 5% CC driven by increased revenue from existing customers as well as the addition of JetPay in December; Net ACV of \$10M
- Operating income down driven by higher mix of third party software content

SERVICES

Q4 2018 Update

	Q4 2018	Q4 2017	% Change	% Change CC
Services Revenue	\$633	\$619	2%	5%
Services Gross Margin	\$172	\$153	12%	16%
Services Gross Margin Rate	27.2%	24.7%	+250 bps	+260 bps
Operating Income	\$92	\$76	21%	25%
Operating Income as a % of Revenue	14.5%	12.3%	+220 bps	+230 bps

\$ in millions

KEY HIGHLIGHTS

- Services revenue increased 5% CC driven by continued momentum in managed service offerings and increased wallet share from the current install base driven by improved customer satisfaction
- Operating income increased 25% CC due to continued and sustainable improvements achieved through services transformation initiatives offset by continued investment
- Service transformation 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

Q4 2018 Update

	Q4 2018	Q4 2017	% Change	% Change CC
ATMs	\$367	\$303	21%	26%
Self-Checkout (SCO)	110	131	(16)%	(16)%
Point-of-Sale (POS)	189	218	(13)%	(12)%
Interactive Printer Solutions (IPS)	—	3	(100)%	(100)%
Hardware Revenue	\$666	\$655	2%	4%
Hardware Gross Margin	\$78	\$102	(24)%	(23)%
Hardware Gross Margin Rate	11.7%	15.6%	(390) bps	(410) bps
Operating Loss	(\$19)	(\$4)	Unfav	Unfav
Operating Loss as a % of Revenue	(2.9%)	(0.6%)	Unfav	Unfav

\$ in millions

KEY HIGHLIGHTS

- ATM revenue up 26% CC driven by higher backlog conversion as we significantly ramped production
- SCO revenue down due to timing of customer roll-outs
- POS revenue down compared to growth of 20% CC in the prior year, which benefited from several large customer wins
- Operating income decreased due to increased costs associated with our manufacturing transformation initiatives
- Hardware profitability significantly improved sequentially as manufacturing transformation initiatives progressing as planned

FREE CASH FLOW, NET DEBT & EBITDA

Free Cash Flow	Q4 2018	Q4 2017	FY 2018	FY 2017
Cash Provided by Operating Activities	\$409	\$482	\$572	\$752
Total capital expenditures	(79)	(88)	(313)	(294)
Cash used in Discontinued Operations	(13)	6	(36)	(8)
Free Cash Flow	\$317	\$400	\$223	\$450

\$ in millions

Net Debt & EBITDA	FY 2018	Q3 2018	FY 2017
Debt	\$3,165	\$3,127	\$2,991
Cash	(464)	(334)	(537)
Net Debt	\$2,701	\$2,793	\$2,454
Adjusted EBITDA ⁽¹⁾	\$957	\$984	\$1,124
Net Debt / Adjusted EBITDA	2.8x	2.8x	2.2x

\$ in millions

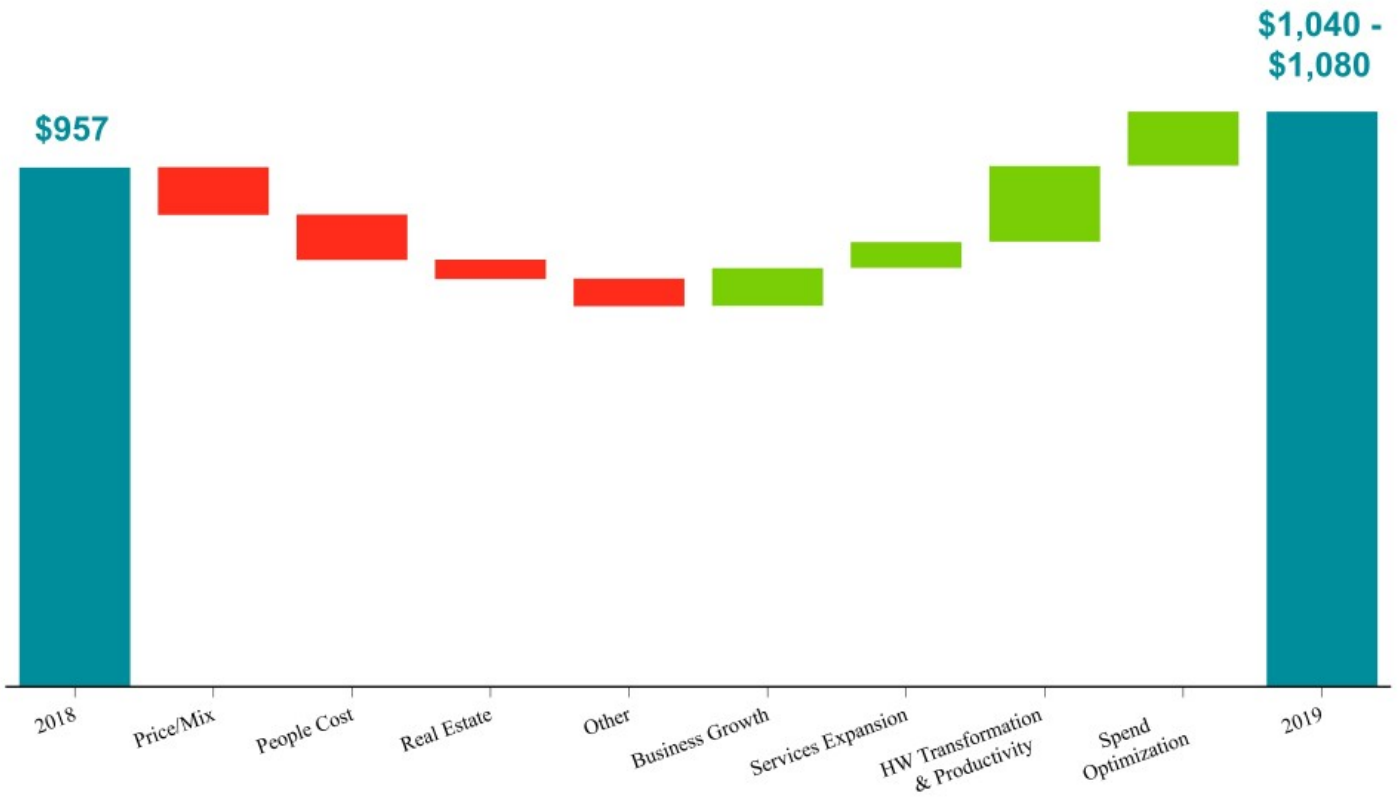
⁽¹⁾ Adjusted EBITDA for the trailing twelve-month period

2019 GUIDANCE

	FY 2019 Guidance	
Revenue Growth	1% - 2%	
Net Income Attributable to NCR	\$290 - \$305	
Adjusted EBITDA	\$1,040 - \$1,080	
GAAP Diluted EPS	\$1.91 - \$2.01	
Non-GAAP Diluted EPS	\$2.75 - \$2.85	
Cash Flow from Operations	\$705 - \$730	
Free Cash Flow	\$300 - \$350	
Capital Allocations	2018	2019
Stock repurchases	\$210	~ \$100
Capital expenditures	\$313	\$350-\$375
Mergers and acquisitions	\$206	\$300-\$400

\$ in millions, except per share amounts

2019 EBITDA BRIDGE



\$ in millions

LOOKING FORWARD

- 1 Allocate capital to highest growth and return on investment opportunities
- 2 Return to growth
- 3 Mix shift to software, services and recurring revenue
- 4 Improve cost structure
- 5 Drive cash flow generation

SUPPLEMENTARY MATERIALS

Q4 2018 and FY 2018 GAAP RESULTS

	Q4 2018	Q4 2017	% Change As Reported	FY 2018	FY 2017	% Change As Reported
Revenue	\$1,801	\$1,782	1%	\$6,405	\$6,516	(2)%
Gross Margin	442	510	(13)%	1,675	1,855	(10)%
Gross Margin Rate	24.5%	28.6%		26.2%	28.5%	
Operating Expenses	379	308	23%	1,484	1,164	27%
% of Revenue	21.0%	17.3%		23.2%	17.9%	
Operating Income	63	202	(69)%	191	691	(72)%
% of Revenue	3.5%	11.3%		3.0%	10.6%	
Interest and other expense	(3)	(71)	(96)%	(152)	(209)	(27)%
Income Tax (Benefit) Expense	93	164	(43)%	73	242	(70)%
Effective Income Tax Rate	155%	125%		187%	50%	
Net Income	(\$33)	(\$35)	6%	(\$36)	\$237	(115)%
Diluted EPS	(\$0.39)	(\$0.38)	(3)%	(\$0.72)	\$1.01	(171)%

in millions, except per share amounts

Q4 2018 and FY 2018 OPERATIONAL RESULTS

	Q4 2018	Q4 2017	% Change As Reported	% Change Constant Currency	FY 2018	FY 2017	% Change As Reported	% Change Adjusted Constant Currency
Revenue	\$1,801	\$1,782	1%	3%	\$6,405	\$6,516	(2)%	(2)%
Gross Margin (non-GAAP)	495	523	(5)%	(4)%	1,800	1,916	(6)%	(6)%
Gross Margin Rate (non-GAAP)	27.5%	29.3%	(180) bps	(200) bps	28.1%	29.4%	(130) bps	(140) bps
Operating Expenses (non-GAAP)	281	287	(2)%	—%	1,112	1,076	3%	3%
% of Revenue	15.6%	16.1%			17.4%	16.5%		
Operating Income (non-GAAP)	214	236	(9)%	(8)%	688	840	(18)%	(18)%
% of Revenue	11.9%	13.2%	(130) bps	(150) bps	10.7%	12.9%	(220)bps	(220)bps
Interest and other expense (non-GAAP)	(48)	(43)	12%	23%	(197)	(181)	(9)%	(9)%
Income Tax Expense (non-GAAP)	40	49	(18)%		94	162	(42)%	
Effective Income Tax Rate (non-GAAP)	24%	25%			19%	25%		
Net Income (non-GAAP)	\$126	\$142	(13)%	(13)%	\$394	\$494	(20)%	(20)%
Diluted EPS (non-GAAP)	\$0.84	\$0.92	(9)%	(9)%	\$2.62	\$3.20	(18)%	(18)%

in millions, except per share amounts

SOFTWARE

	FY 2018	FY 2017	% Change	% Change CC
Software License	\$308	\$336	(8)%	(8)%
<i>Attached License</i>	111	121	(8)%	(8)%
<i>Unattached License</i>	197	215	(8)%	(8)%
Software Maintenance	366	374	(2)%	(2)%
Cloud	631	592	7%	7%
Professional Services	607	598	2%	1%
Software Revenue	\$1,912	\$1,900	1%	1%
Software Gross Margin	\$916	\$967	(5)%	(5)%
Software Gross Margin Rate	47.9%	50.9%	(300) bps	(290) bps
Operating Income	\$492	\$563	(13)%	(12)%
Operating Income as a % of Revenue	25.7%	29.6%	(390) bps	(380) bps

\$ in millions

SERVICES

	FY 2018	FY 2017	% Change	% Change CC
Services Revenue	\$2,460	\$2,373	4%	4%
Services Gross Margin	\$639	\$581	10%	11%
Services Gross Margin Rate	26.0%	24.5%	+150 bps	+170 bps
Operating Income	\$321	\$282	14%	17%
Operating Income as a % of Revenue	13.0%	11.9%	+110 bps	+140 bps

\$ in millions

HARDWARE

	FY 2018	FY 2017	% Change	% Change CC
ATMs	\$979	\$1,012	(3)%	(3)%
Self-Checkout (SCO)	346	407	(15)%	(15)%
Point-of-Sale (POS)	708	806	(12)%	(12)%
Interactive Printer Solutions (IPS)	—	18	(100)%	(100)%
Hardware Revenue	\$2,033	\$2,243	(9)%	(9)%
Hardware Gross Margin	\$245	\$368	(33)%	(36)%
Hardware Gross Margin Rate	12.1%	16.4%	(430) bps	(400) bps
Operating Loss	(\$125)	(\$5)	Unfav	Unfav
Operating Loss as a % of Revenue	(6.1%)	(0.2%)	Unfav	Unfav

\$ in millions

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. 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. Free cash flow does not have a uniform definition under GAAP and, therefore, NCR's definition may differ from other companies' definition of this measure.

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.

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 net income attributable to NCR plus interest expense, net; plus income tax expense (benefit); plus depreciation and amortization; 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. 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.

GAAP TO NON-GAAP RECONCILIATION

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

in millions	FY 2017	Q3 2018 LTM	FY 2018
Net (Loss) Income from Continuing Operations (GAAP)	\$240	(\$34)	(\$34)
Pension Mark-to-Market Adjustments	28	28	(45)
Transformation/Restructuring Costs	29	101	223
Acquisition-Related Amortization of Intangibles	115	93	85
Acquisition-Related Costs	5	3	6
Long-lived and Intangible Asset Impairment Charges	—	183	183
Net (Income) Loss from Continuing Operations Attributable to Noncontrolling Interests	(3)	—	(2)
Interest Expense	163	166	168
Interest Income	(3)	(3)	(5)
Depreciation and Amortization	231	239	241
Income Taxes	242	144	73
Stock Compensation Expense	77	64	64
Adjusted EBITDA (non-GAAP)	\$1,124	\$984	\$957

GAAP TO NON-GAAP RECONCILIATION

Q4 2018 QTD

in millions (except per share amounts)	Q4 QTD 2018 GAAP	Transformation and Restructuring costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Impact of U.S. Tax Reform	Q4 QTD 2018 non-GAAP
Product revenue	\$756	\$—	\$—	\$—	\$—	\$—	\$756
Service revenue	1,045	—	—	—	—	—	1,045
Total revenue	1,801	—	—	—	—	—	1,801
Cost of products	644	(19)	(1)	—	—	—	624
Cost of services	715	(29)	(4)	—	—	—	682
Gross margin	442	48	5	—	—	—	495
Gross margin rate	24.5%	2.7%	0.3%	—%	—%	—%	27.5%
Selling, general and administrative expenses	273	(29)	(16)	(5)	—	—	223
Research and development expenses	62	(4)	—	—	—	—	58
Asset impairment charges	44	(44)	—	—	—	—	—
Total operating expenses	379	(77)	(16)	(5)	—	—	281
<i>Total operating expense as a % of revenue</i>	<i>21.0%</i>	<i>(4.2)%</i>	<i>(0.9)%</i>	<i>(0.3)%</i>	<i>—%</i>	<i>—%</i>	<i>15.6%</i>
Income from operations	63	125	21	5	—	—	214
<i>Income from operations as a % of revenue</i>	<i>3.5%</i>	<i>6.9%</i>	<i>1.2%</i>	<i>0.3%</i>	<i>—%</i>	<i>—%</i>	<i>11.9%</i>
Interest and Other (expense) income, net	(3)	—	—	—	(45)	—	(48)
Income from continuing operations before income taxes	60	125	21	5	(45)	—	166
Income tax (benefit) expense	93	29	3	1	(1)	(85)	40
<i>Effective income tax rate</i>	<i>155%</i>						<i>24%</i>
Income from continuing operations	(33)	96	18	4	(44)	85	126
Net income attributable to noncontrolling interests	—	—	—	—	—	—	—
Income from continuing operations (attributable to NCR)	(\$33)	\$96	\$18	\$4	(\$44)	\$85	\$126
Diluted earnings per share	(\$0.39)	\$0.64	\$0.12	\$0.03	(\$0.29)	\$0.57	\$0.84
Diluted shares outstanding	118.6						149.9

GAAP TO NON-GAAP RECONCILIATION

Q4 2018 QTD

	Q4 QTD 2018 GAAP	Q4 QTD 2018 non-GAAP
in millions (except per share amounts)		
Income from continuing operations attributable to NCR common stockholders:		
Income from continuing operations (attributable to NCR)	\$(33)	\$126
Dividends on convertible preferred shares	(13)	—
Income from continuing operations attributable to NCR common stockholders	\$(46)	\$126
Weighted average outstanding shares:		
Weighted average diluted shares outstanding	118.6	121.1
Weighted as-if converted preferred shares	—	28.8
Total shares used in diluted earnings per share	118.6	149.9
Diluted earnings per share ⁽¹⁾	(\$0.39)	\$0.84

⁽¹⁾ 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

Q4 2017 QTD

in millions (except per share amounts)	Q4 QTD 2017 GAAP	Transformation Costs	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Impact of U.S. Tax Reform	Q4 QTD 2017 non- GAAP
Product revenue	\$750	\$—	\$—	\$—	\$—	\$—	\$750
Service revenue	1,032	—	—	—	—	—	1,032
Total revenue	1,782	—	—	—	—	—	1,782
Cost of products	591	—	(6)	—	—	—	585
Cost of services	681	—	(7)	—	—	—	674
Gross margin	510	—	13	—	—	—	523
Gross margin rate	28.6%	—%	0.7%	—%	—%	—%	29.3%
Selling, general and administrative expenses	245	(4)	(16)	(2)	—	—	223
Research and development expenses	63	1	—	—	—	—	64
Total expenses	308	(3)	(16)	(2)	—	—	287
<i>Total expense as a % of revenue</i>	<i>17.3%</i>	<i>(0.2)%</i>	<i>(0.9)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>16.1%</i>
Income from operations	202	3	29	2	—	—	236
<i>Income from operations as a % of revenue</i>	<i>11.3%</i>	<i>0.2%</i>	<i>1.6%</i>	<i>—%</i>	<i>—%</i>	<i>—%</i>	<i>13.2%</i>
Interest and Other (expense) income, net	(71)	—	—	—	28	—	(43)
Income from continuing operations before income taxes	131	3	29	2	28	—	193
Income tax expense	164	2	9	1	3	(130)	49
<i>Effective income tax rate</i>	<i>125%</i>						<i>25%</i>
Income from continuing operations	(33)	1	20	1	25	130	144
Net income attributable to noncontrolling interests	2	—	—	—	—	—	2
Income from continuing operations (attributable to NCR)	(\$35)	\$1	\$20	\$1	\$25	\$130	\$142
Diluted (loss) earnings per share	(\$0.38)	\$0.01	\$0.13	\$0.01	\$0.16	\$0.85	\$0.92
Diluted shares outstanding	121.9						153.7

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD

	Q4 QTD 2017 GAAP	Q4 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)	(\$35)	\$142
Dividends on convertible preferred shares	(\$11)	—
Income from continuing operations attributable to NCR common stockholders	(\$46)	\$142
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	121.9	126.4
Weighted as-if converted preferred shares	—	27.3
Total shares used in diluted earnings per share	121.9	153.7
Diluted earnings per share ⁽¹⁾	(\$0.38)	\$0.92

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GAAP TO NON-GAAP RECONCILIATION

FY 2018

in millions (except per share amounts)	FY 2018 GAAP	Transformation and Restructuring costs	Goodwill & Long-lived Asset Impairments	Acquisition- related amortization of intangibles	Acquisition- related costs	Pension mark-to- market adjustments	Impact of U.S. Tax Reform	FY 2018 non-GAAP
Product revenue	\$2,341	\$—	\$—	\$—	\$—	\$—	\$—	\$2,341
Service revenue	4,064	—	—	—	—	—	—	4,064
Total revenue	6,405	—	—	—	—	—	—	6,405
Cost of products	1,988	(59)	—	(10)	—	—	—	1,919
Cost of services	2,742	(43)	—	(13)	—	—	—	2,686
Gross margin	1,675	102	—	23	—	—	—	1,800
Gross margin rate	26.2%	1.5%	—%	0.4%	—%	—%	—%	28.1%
Selling, general and administrative expenses	1,005	(67)	—	(62)	(6)	—	—	870
Research and development expenses	252	(10)	—	—	—	—	—	242
Asset impairment charges	227	(44)	(183)	—	—	—	—	—
Total expenses	1,484	(121)	(183)	(62)	(6)	—	—	1,112
<i>Total expense as a % of revenue</i>	<i>23.2%</i>	<i>(1.9)%</i>	<i>(2.8)%</i>	<i>(1.0)%</i>	<i>(0.1)%</i>	<i>—%</i>	<i>—%</i>	<i>17.4%</i>
Income from operations	191	223	183	85	6	—	—	688
<i>Income from operations as a % of revenue</i>	<i>3.0%</i>	<i>3.4%</i>	<i>2.9%</i>	<i>1.3%</i>	<i>0.1%</i>	<i>—%</i>	<i>—%</i>	<i>10.7%</i>
Interest and Other (expense) income, net	(152)	—	—	—	—	(45)	—	(197)
Income from continuing operations before income taxes	39	223	183	85	6	(45)	—	491
Income tax expense	73	41	8	17	1	(1)	(45)	94
<i>Effective income tax rate</i>	<i>187%</i>							<i>19%</i>
Income from continuing operations	(34)	182	175	68	5	(44)	45	397
Net income attributable to noncontrolling interests	2	—	1	—	—	—	—	3
Income from continuing operations (attributable to NCR)	(\$36)	\$182	\$174	\$68	\$5	(\$44)	\$45	\$394
Diluted earnings per share	(\$0.72)	\$1.21	\$1.16	\$0.45	\$0.03	(\$0.29)	\$0.30	\$2.62
Diluted Shares outstanding	118.4							150.2

GAAP TO NON-GAAP RECONCILIATION

FY 2018

	FY 2018 GAAP	FY 2018 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)	\$(36)	\$394
Dividends on convertible preferred shares	(49)	—
Income from continuing operations attributable to NCR common stockholders	\$(85)	\$394
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	118.4	121.9
Weighted as-if converted preferred shares	—	28.3
Total shares used in diluted earnings per share	118.4	150.2
Diluted earnings per share⁽¹⁾	(\$0.72)	\$2.62

⁽¹⁾ 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
Total revenue	6,516	—	—	—	—	—	6,516
Cost of products	2,021	(2)	(25)	—	—	—	1,994
Cost of services	2,640	(9)	(25)	—	—	—	2,606
Gross margin	1,855	11	50	—	—	—	1,916
Gross margin rate	28.5%	0.1%	0.8%	—%	—%	—%	29.4%
Selling, general and administrative expenses	923	(14)	(65)	(5)	—	—	839
Research and development expenses	241	(4)	—	—	—	—	237
Total expenses	1,164	(18)	(65)	(5)	—	—	1,076
<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>
Income from operations	691	29	115	5	—	—	840
<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
Income from continuing operations (attributable to NCR)	\$237	\$20	\$79	\$3	\$25	\$130	\$494
Diluted earnings per share	\$1.01	\$0.13	\$0.51	\$0.02	\$0.16	\$0.84	\$3.20
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)		
<i>Income from continuing operations attributable to NCR common stockholders:</i>		
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)	—
Income from continuing operations attributable to NCR common stockholders	\$128	\$494
<i>Weighted average outstanding shares:</i>		
Weighted average diluted shares outstanding	127.0	127.0
Weighted as-if converted preferred shares	—	27.3
Total shares used in diluted earnings per share	127.0	154.3
Diluted earnings per share ⁽¹⁾	\$1.01	\$3.20

⁽¹⁾ 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

Q4 2018 QTD & YTD

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

	Q4 2018 QTD		Q4 2018 YTD	
	Gross Margin	Gross Margin Rate %	Gross Margin	Gross Margin Rate %
Software	245	48.8%	916	47.9%
Services	172	27.2%	639	26.0%
Hardware	78	11.7%	245	12.1%
Total Gross Margin (non-GAAP)	495	27.5%	1,800	28.1%
Less:				
Transformation Costs	48	2.7%	102	1.5%
Acquisition-related amortization of intangibles	5	0.3%	23	0.4%
Total Gross Margin (GAAP)	442	24.5%	1,675	26.2%

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD & YTD

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

	Q4 2017 QTD		Q4 2017 YTD	
	Gross Margin	Gross Margin Rate %	Gross Margin	Gross Margin Rate %
Software	268	52.8%	967	50.9%
Services	153	24.7%	581	24.5%
Hardware	102	15.6%	368	16.4%
Total Gross Margin (non-GAAP)	523	29.3%	1,916	29.4%
Less:				
Transformation Costs	—	—%	11	0.1%
Acquisition-related amortization of intangibles	13	0.7%	50	0.8%
Total Gross Margin (GAAP)	510	28.6%	1,855	28.5%

GAAP TO NON-GAAP RECONCILIATION

Q4 2018 QTD & YTD

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

	Q4 2018 QTD		Q4 2018 YTD	
	Operating Income	Operating Income Rate	Operating Income	Operating Income Rate
Software	141	28.1%	492	25.7%
Services	92	14.5%	321	13.0%
Hardware	(19)	(2.9)%	(125)	(6.1)%
Total Operating Income (non-GAAP)	214	11.9%	688	10.7%
Less:				
Transformation & Restructuring costs	125	6.9%	223	3.4%
Asset Impairment charges	—	—%	183	2.9%
Acquisition-related amortization of intangibles	21	1.2%	85	1.3%
Acquisition-related costs	5	0.3%	6	0.1%
Total Operating Income (GAAP)	63	3.5%	191	3.0%

GAAP TO NON-GAAP RECONCILIATION

Q4 2017 QTD & YTD

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

	Q4 2017 QTD		Q4 2017 YTD	
	Operating Income	Operating Income Rate	Operating Income	Operating Income Rate
Software	164	32.3%	563	29.6%
Services	76	12.3%	282	11.9%
Hardware	(4)	(0.6)%	(5)	(0.2)%
Total Operating Income (non-GAAP)	236	13.2%	840	12.9%
Less:				
Transformation Costs	3	0.2%	29	0.4%
Acquisition-related amortization of intangibles	29	1.6%	115	1.8%
Acquisition-related costs	2	—%	5	0.1%
Total Operating Income (GAAP)	202	11.3%	691	10.6%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			Q4 2018 YTD		
	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Constant Currency % (non-GAAP)	Revenue Growth % (GAAP)	Favorable (unfavorable) FX impact	Revenue Growth Adjusted Constant Currency % (non-GAAP)
Software License	(5)%	(1)%	(4)%	(8)%	—%	(8)%
<i>Attached License</i>	11%	(5)%	16%	(8)%	—%	(8)%
<i>Unattached License</i>	(16)%	—%	(16)%	(8)%	—%	(8)%
Software Maintenance	(6)%	(1)%	(5)%	(2)%	—%	(2)%
Cloud	4%	(1)%	5%	7%	—%	7%
Professional Services	(1)%	(2)%	1%	2%	1%	1%
Software	(1)%	(1)%	—%	1%	—%	1%
Services	2%	(3)%	5%	4%	—%	4%
ATMs	21%	(5)%	26%	(3)%	—%	(3)%
Self-Checkout (SCO)	(16)%	—%	(16)%	(15)%	—%	(15)%
Point-of-Sale (POS)	(13)%	(1)%	(12)%	(12)%	—%	(12)%
Interactive Printer Solutions (IPS)	(100)%	—%	(100)%	(100)%	—%	(100)%
Hardware	2%	(2)%	4%	(9)%	—%	(9)%
Total Revenue	1%	(2)%	3%	(2)%	—%	(2)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 YTD		
	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)	Gross Margin Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin Growth % (non-GAAP)
Software	(9)%	(2)%	(7)%	(5)%	—%	(5)%
Services	12%	(4)%	16%	10%	(1)%	11%
Hardware	(24)%	(1)%	(23)%	(33)%	3%	(36)%
Total Gross Margin	(5)%	(1)%	(4)%	(6)%	—%	(6)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 YTD		
	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)	Operating Income Growth % Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income Growth % (non-GAAP)
Software	(14)%	(1)%	(13)%	(13)%	(1)%	(12)%
Services	21%	(4)%	25%	14%	(3)%	17%
Hardware	(375)%	(272)%	(647)%	(5,000)%	1,000%	(6,000)%
Total Operating Income	(9)%	(1)%	(8)%	(18)%	—%	(18)%

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 YTD		
	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non-GAAP)	Gross Margin bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Gross Margin bps Growth (non-GAAP)
Software	(400) bps	— bps	(400) bps	(300) bps	10 bps	(290) bps
Services	250 bps	10 bps	260 bps	150 bps	20 bps	170 bps
Hardware	(390) bps	(20) bps	(410) bps	(430) bps	30 bps	(400) bps
Total Gross Margin bps	(180) bps	(20) bps	(200) bps	(130) bps	(10) bps	(140) bps

GAAP TO NON-GAAP RECONCILIATION

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

	Q4 2018 QTD			2018 YTD		
	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non-GAAP)	Operating Income bps Growth Reported	Favorable (unfavorable) FX impact	Constant Currency Operating Income bps Growth (non-GAAP)
Software	(420) bps	(10) bps	(430) bps	(390) bps	10 bps	(380) bps
Services	220 bps	10 bps	230 bps	110 bps	30 bps	140 bps
Hardware	(230) bps	(20) bps	(250) bps	(590) bps	(50) bps	(640) bps
Total Operating Income	(130) bps	20 bps	(150) bps	(220) bps	— bps	(220) bps

GAAP TO NON-GAAP RECONCILIATION

Diluted Earnings Per Share

	2019 Guidance
Diluted EPS (GAAP) ^{(1) (2)}	\$1.91 - \$2.01
Transformation & Restructuring costs	0.31
Acquisition-Related Amortization of Intangibles	0.48
Acquisition-Related Costs	0.05
Non-GAAP Diluted EPS ^{(1) (3)}	\$2.75 - \$2.85

⁽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.

⁽²⁾ 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.

⁽³⁾ For FY 2019, we have assumed an effective tax rate of 23% to 24% and a share count of 151 million compared to an effective tax rate of 19% and a share count of 150 million in FY 2018.

GAAP TO NON-GAAP RECONCILIATION

Earnings Before Interest, Taxes, Depreciation & Amortization (Adjusted EBITDA)

	2019 Guidance
Net Income Attributable to NCR (GAAP)	\$290 - \$305
Transformation & Restructuring costs	60
Acquisition-Related Amortization of Intangibles	95
Acquisition-Related Costs	10
Interest	180 - 195
Taxes	85 - 95
Depreciation & Amortization	240
Stock Compensation	80
Adjusted EBITDA (Non-GAAP)	\$1,040 - \$1,080

GAAP TO NON-GAAP RECONCILIATION

	2019 Guidance
Cash Provided by Operating Activities	\$705 - \$730
Less: Total capital expenditures	(350) - (375)
Less: Cash used in Discontinued Operations	(30)
Free Cash Flow	\$300 - \$350

\$ in millions



